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In the Supreme Court of the United States

OCTOBER TERM, 1964

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Respondent.

Petition for a Writ of Certiorari

To the United States Court of Appeals
for the Ninth Circuit

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To the United States Court of Appeals
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Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in the above-entitled case on December 15, 1964, a copy of said judgment being appended hereto as Appendix B.

CITATIONS TO OPINIONS BELOW

The opinion of the Court of Appeals for the Ninth Circuit is reported at 339 F.2d 288 and at 144 USPQ 55, copy of which is appended hereto as Exhibit C. That opinion, in effect, adopted "all of the findings and conclusions of the trial court with respect to the substantive claims of and defenses to infringement" (Appendix C, page 34) but reversed and remanded for a new trial on one aspect of the award of damages.

The opinion of the District Court, which is in the form of findings of fact and conclusions of law, is reported at 225 F. Supp. 205; 139 USPQ 421, copy of which is appended hereto as Appendix A.

JURISDICTION OF THIS COURT

The date of the judgment of the Court of Appeals is December 15, 1964 and said judgment was entered on December 15, 1964. A timely petition for rehearing was filed and was denied on March 10, 1965.

Jurisdiction is conferred upon this Court to review the judgment of the Court of Appeals by writ of certiorari by United States Code, Title 28, Section 1254(1).

QUESTIONS PRESENTED

1. Is it a patent misuse, during the life of a patent monopoly, to adhere exclusively to a policy of leasing patented machines for a long term and to refuse to lease the machines for a shorter term, such as one year, with the result that, at the time of expiration of the last valid patent covering the machines, the great majority of users of the machines are tied to long term lease agreements and are not free to obtain machines from a competitor.

2. Where different parts of a single machine are covered by several patents which represent improvements made in the machine over a period of years, and where such patents expire at

different times, is it an unwarranted extension of the monopoly of the expired patents and contrary to *Brulotte v. Thys Co.*, ... US .....; 85 S.Ct. 176; 13. L.Ed. 2d 99 to refuse an apportionment of damages to reflect the fact that, at the time of alleged infringement, all but one of the valid patents on the machine had expired.

3. Does the patent statute regarding construction of a broad "means" claims in a patent (35 USC 112), such statute reading in pertinent part as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material or acts described in the specification and equivalents thereof."

require that a court, in all cases where a functional "means" claim is sued upon, make a finding based upon evidence that the alleged infringer uses either (1) the same structure as that described in the specification of the patent or (2) a different but equivalent structure.

4. May a patentee have, so to speak, two bites at a defendant's structure; the first bite being based upon a narrow claim which recites structure for performing a specified function, and which requires proof that the defendant's structure is an equivalent of plaintiff's structure; the second bite, in the event that the patentee fails to prove equivalents, being based upon a broad, wholly functional claim which recites merely a "means" for performing a function without specifying the construction of the "means".

CONSTITUTIONAL PROVISION INVOLVED

No constitutional provision as such as involved except the provision of Article I, Sec. 8 of the United States Constitution

which is always controlling in a patent case and which reads in pertinent part as follows:

> "The Congress shall have power * * * To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

STATUTORY PROVISION INVOLVED

A portion of 35 USC 112 (Section 112 of the Patent Code of 1952) is involved in Questions Nos. 3 and 4, such portion of the statute reading as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

STATEMENT OF THE CASE

This is a patent infringement suit brought by plaintiff (Respondent herein) against defendant (Petitioner herein) on patent No. 2,406,736, granted September 3, 1946 (Complaint, Vol. 1, pp. 2-4).[1] Jurisdiction of the District Court was based on 28 USC 1338(a) and 1400(b). Jurisdiction of the Court of Appeals was based on 28 USC 1291.

The patent expired on September 3, 1963, shortly after the judgment of the District Court was rendered. This patent (referred to hereinafter as the "patent in suit") relates to an olive pitting machine (Pl's Exh. 2, Vol. 17, p. 1). Respondent sought damages and an injunction (Complaint, Vol. 1, p. 3).

Petitioner asserted invalidity, noninfringement and patent misuse. (Def's First Amended Answer and Counterclaim, para-

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1. Volume references are to the record as filed with this Court by the Clerk of the Court of Appeals.

graphs (7) and (9) to (12) of the Answer, Vol. 1 of the Record here, pages 41 and 42). Petitioner also contended that, if these issues were decided against it, damages should be apportioned to reflect the fact that only a part of the patented machine is covered by the patent in suit and that other, substantial parts of the machine are the subject of patents that expired before the alleged acts of infringement occurred (Finding of Fact No. 28, Appendix A, page 27; Petition for Rehearing, Appendix D, pp. 38 to 39).

The District Court ruled in favor of Respondent on all issues except injunctive relief and except as to post-exipration damages, both of which were sought by Respondent. The District Court held that an injunction would be injurious to the public and would prolong the patent monopoly beyond the date of expiration of the patent in suit (September 3, 1963), and that an award of post-expiration damages would also, in effect, prolong the patent monopoly and constitute patent misuse (Finding of Fact No. 35, Appendix A, page 29; informal rulings of the District Court at Vol. 14, page 1649 and Vol. 15, page 18).

The District Court awarded as damages the entire gross income (all of which was lease income) received by Petitioner from infringing machines up to approximately the date of expiration of the patent in suit. The District Court refused to apportion the damages on the ground that it was impracticable to segregate the infringing part from the noninfringing parts of Petitioner's machine (Findings of Fact Nos. 28, 29 and 35; Appendix A, pages 27 to 29).

The District Court also held Claim 11 of the patent valid and infringed and it held that the defense of misuse was not proved.[2] Conclusions of Law Nos. 1 and 4, Appendix A, page 30).

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2. More accurately stated, the District Court held that, to award post-expiration damages (which were asked for by Respondent) might constitute misuse, and for that reason the Court refused them (Vol. 15, page 18).

The Court of Appeals affirmed all of the holdings of the District Court, including the denial of apportionment of damages, the only exception being that the District Court was reversed as to the measure of damages (whether the award was adequately proved on the basis of a reasonable royalty). As to this, a new trial was ordered. (Appendix C, pages 33 and 37).

The factual background is best set forth under the topics of Infringement, Apportionment and Misuse.

Infringement

The patent in suit relates to a machine for pitting olives. On its face, it attributes several substantial components to three earlier patents which expired before the alleged acts of infringement occurred (Pl's Exh. 2, column 2, lines 32 to 43). Thus, the straightening mechanism is that described in Ashlock Patent No. 2,250,518 which expired in 1958. (The "straightening mechanism" automatically arranges the olives in upright position in the cups that hold them, so that they are in proper position for pitting). The conveyor construction which conveys the olives through the machine is that of Ashlock Patent No. 2,271,675, which expired in 1959. The pitting plunger mechanism is that of Ashlock Patent No. 2,219,832, which expired in 1957. (The pitting plunger mechanism consists of the plungers or punches which descend and punch the olives, together with the mechanism for operating them and timing them with other parts of the machine).

The particular part of the machine which is the subject of the patent in suit is the use of hollow coring knives beneath the plungers (there being one such coring knife for and in alignment with each plunger), together with a machanism for operating each pair of coring knives and plungers in such manner that they cooperate to penetrate an olive from opposite ends, clamp the olive pit between them and then carry the pit out of the olive (Finding of Fact No. 19, Appendix A, page 10).

Essential to this mode of operation is a spring which supports the coring knife, such spring being compressed during the process of clamping the pit and remaining compressed while the coring knife and its plunger carry the pit out of the olive. (See the patent in suit, Pl's Exh. 2, col. 5, lines 7-16; testimony of Respondent's Vice President Hesse at Vol. 4, page 386).

Without this spring and its mode of operation, the patented machine will not operate to pit olives (Hesse testimony, ibid).

The reason for the foregoing technical detail is that it is necessary to an understanding of the infringement issue, because *Petitioner's machine does not employ this mode of operation.* (Hesse testimony, ibid). That is, Petitioner's machine is not a copy of Respondent's machine but is different; and *the infringement issue presented by this petition is whether the Courts below improperly disregarded the statutory rule of claim interpretation as set forth in 35 USC 112,* which reads in pertinent part as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing the specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

In the light of the following evidence, Petitioner contended in both Courts below that there was no infringement:

Respondent sued on two claims (Claims 5 and 11). The pertinent (and corresponding) portions of these claims are set forth below for side-by-side comparison. Words added in brackets are explanatory and the added emphasis points up the difference between these claims:

Structural Description of Pitting Element in Claim 5 (The Narrow Claim, Withdrawn Because of Failure to Prove Equivalence of Petitioner's Structure)	Functional Description of Pitting Element in Claim 11 (The Broad, Functional Claim Held to Be Infringed Without Regard to 35 USC 112)
"*a resilient mounting* [a spring] for at least one of said elements [the plunger and the pitting knife; in practice, the spring is associated with the pitting knife]; and means for moving the knife and plunger toward each other until the two substantially meet in the absence of a fruit and, in the presence of a fruit, the pit is positioned between an end of the knife and an end of the plunger and *the resilient mounting is compressed*, and for then *moving the knife and plunger* at substantially the same rate and in the same direction with respect to the conveyor *with the pit held therebetween under the pressure of said compressed resilient mounting means to remove the pit and core from the fruit*."	"and *means* for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and *for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate*." [In Claim 11 the "means . . . for then moving said plunger and knife", etc. corresponds to the "resilient mounting" of Claim 5. It is this "resilient mounting" of Claim 5 and the "means . . . for then moving" of Claim 11 which enable the plunger and knife to move at substantially the same rate and in the same direction. This mode of operation is necessary for pitting to occur with the patented machine].

It will be seen that Claim 5 specifies a "resilient mounting" (a spring) for one of the pitting instruments (in actual practice, this instrument is the hollow coring knife); that this "resilient mounting" is compressed; and that it remains compressed during removal of the pit from the olive. *This continued compression is essential to the operation of the machine of the patent in suit* (Hesse testimony, Vol. 4, page 386).

Claim 11, however, is phrased in words which, if taken literally, do not require the presence of a spring or its continued compression during pit removal. These words require only a "means" for moving the plunger and knife toward each other until they are close together, and then moving them in the same direction and at the same rate to remove the olive pit. But the only *structure*

shown in the patent for accomplishing this has a spring which is, and which must be compressed and must remain compressed during pit removal.

At the trial, Petitioner adduced evidence that its machine operates differently; and that it operates without the need for a spring except for safety purposes (not for operating purposes) and without any spring compression during the critical period of pit removal. Petitioner accomplishes this by means of a cam. (Hesse testimony, ibid.; Def's Exh. AG testimony of Loveland, Vice President of Petitioner, typified by his testimony at Vol. 12, page 1333, line 25 to page 1334, line 17).

It still remained open to Respondent to attempt to prove that Petitioner's cam (springless) operation is the equivalent of the spring operation of Claim 5, but Respondent chose not to do this. Instead, Respondent withdrew Claim 5 in the light of this evidence and rested its case on a wholly functional claim (Claim 11) (Vol. 14, page 1609, lines 10 to 12).

It was contended by Petitioner in both Courts below that Claim 11, although it does not mention springs or their operation, must be interpreted under 35 USC 112 to include only the spring structure actually shown in the patent and its equivalents, and that by withdrawing Claim 5 in the light of adverse evidence, Respondent admitted lack of equivalence, therefore lack of infringement.

However, both Courts below refused to apply the controlling statute, 35 USC 112. They held that Claim 11 is for a patentable combination of elements without making a finding that the crucial element (the "means" element) of Claim 11 is limited to the structure shown and its equivalents, and that Petitioner's structure employs an equivalent.

On this point (as on all others except the measure of damages) the Court of Appeals adopted the findings and conclusions of the District Court (Appendix C, page 34). The District Court, in Finding No. 20, held that Claim 11 "has the requisite newness or novelty required by the statute" (35 USC 101). In Finding

No. 19, the District Court held that Claim 11 "fairly and accurately delineated" the "advance in the art"; in Finding No. 21 (i), that "Claim 11 covers each of the plaintiff's machines"; in Finding No. 23, that Claim 11 is "entitled to a reasonably broad application of the doctrine of mechanical equivalents"; in Finding No. 24, that Claim 11 is "readable in terms in its entirety upon the olive pitting machines of the defendant" and that "defendant's machines were embodiments of the advance made in the art by Claim 11, said advance in the art having been defined by the Court in Finding No. 19" (which does not mention the spring structure that brought about the withdrawal of Claim 5); and, in the same Finding, that defendant's cam operation is the equivalent of plaintiff's spring operation. But nowhere in the District Court's opinion or in the Court of Appeals' opinion is there any mention of 35 USC 112 nor of its rule of interpretation of a "means" claim. The Courts below were silent as to the inferences to be drawn from the withdrawal of Claim 5, which is summarily dealt with in Finding No. 25 as follows:

> "25. Claim 5 of '736 [the patent in suit] has been withdrawn. Claim 5 has no effect on Claim 11."

(The findings referred to in this paragraph appear in Appendix A, pages 10 to 26).

Apportionment

The issue of apportionment can be dealt with very briefly. As stated above at page 6 the patent in suit attributes several of its component parts to three earlier patents, the latest of which expired in 1959. Petitioner did not enter the olive pitting business until 1961 (Finding of Fact No. 29, Appendix A, page 28). Petitioner contended that its machine, like the patented machine, consists of several components, including a straightening mechanism, a conveyor and a plunger mechanism which, if covered by

any patents, were covered by three expired patents (Ashlock Patents Nos. 2,250,518, 2,271,675 and 2,219,832). It was Petitioner's contention that, if damages were awarded, they should be less than damages attributable to the machine as a whole and should reflect the fact that much of the patented machine was the subject of expired patents. (The only evidence on the proportion of patented and unpatented parts was the testimony of Loveland, Vice President of Petitioner and designer of Petitioner's machine, that about 25% of the cost of Petitioner's machine is attributable to the infringing structure. Vol. 15, page 15)

The District Court rendered its decision prior to *Brulotte vs. Thys*, ... US .....; 85 S.Ct. 176; 13 L.Ed. 2d 99. The District Court held that it was impracticable to segregate the patented from the unpatented parts of Petitioner's machine (Finding of Fact No. 28, Appendix A, page 27). The Court of Appeals rendered its decision after *Brulotte* and affirmed for the same reason. Appendix C, page 35, footnote 7) In a petition for rehearing, Petitioner urged that *Brulotte* (which was decided by this Court after submission of the case at bench to the Court of Appeals) precludes an award of damages attributable to expired patents. It was Petitioner's contention that, under *Brulotte*, when a patent expires its monopoly is spent and something must pass to the public; that the right to collect royalties under the patent is spent; and that, by analogy, the right to collect damages for infringement of an expired patent is spent (Appendix D). This petition was denied (Appendix F).

The Court of Appeals reversed as to damages but not on the ground of apportionment (which was affirmed). The Court of Appeals held that the award of damages may have been excessive in view of evidence regarding a reasonable royalty. Respondent has stated its position (privately to counsel for Petitioner and to the District Court in a conference in the Judge's chambers) that, in the light of the opinion of the Court of Appeals, Respondent will seek even more damages ($78,000 instead of $40,488.92)!

Misuse

Respondent manufactures and leases olive pitting machines. It does not offer these machines for sale. The leases are long term (3 year) leases. Short term leases (for example, one year leases) are not available (Finding of Fact No. 26, Appendix A, page 27).

Respondent had a monopoly for many years in the leasing of olive pitting machines and held this monopoly when Petitioner entered the field with a single prototype machine in 1961. Prior to that all the olive pitting machines in the United States (all of which are located in California) were Respondent's machines held under long-term leases. The sole exception was the Lindsay Ripe Olive Co., a cooperative olive packing and marketing association, which made its own machines exclusively for its own use and not for sale or lease to any other olive packer. (These facts are set forth in the Joint Pre-Trial Order, Vol. 1, pages 85-88, paragraphs 16 to 23.)

During the 1961-62 season (the olive packing season runs from about September or October of each year to May or June of the following calendar year), Respondent's complete monopoly in the relevant market (the market for leased olive pitting machines) was diminished slightly by a single prototype machine leased by Petitioner to Libby, McNeil & Libby. During the 1962-63 season—the last season during the life of the patent in suit—Respondent's monopoly was reduced slightly more by the rental of six machines by Petitioner to three olive packers (Joint Pre-Trial Order, Vol. 1, page 86, paragraphs 19 to 21).

The leasing situation at the start of the 1963-64 season was substantially as follows: In addition to the Lindsay Ripe Olive Co. there were 18 olive packers in the United States, all having their olive packing facilities in California. (Lindsay is also located in California). These 18 olive packing companies (excluding Lindsay) employed approximately 43 olive pitting machines of which 30 continued on long term leases from Respondent which were

entered into before the patent expired. These facts are set forth in a chart below which identifies the packers and the number of Respondent's machines which continued on long term leases. This information is taken from a table in the Joint Pretrial Order, Vol. 1, pages 86 and 87.

Lessee	No. of Resopndent's Machines	Date of Termination of Lease
Bell Packing Company	2	6-1-64
Contadino Foods, Inc.	1	11-15-63
Evans Honey Company	1	11-1-63
B.E. Glick & Sons	1	9-1-65
Industrias Olivareras, S.A. (Tijuana, Mexico)	1	2-1-65
Libby, McNeill & Libby	6	11-15-65
Maywood Packing Co.	1	1-15-64
Oberti Olive Company	3	9-1-64
Orinda Olive Corp.	1	11-1-64
Rocca Bella Olive Assoc'n	2	9-1-64
V.R. Smith Olive Co.	2	10-1-64
Spencer Food Co.	1	4-1-65
Sunland Olive Co.	2	9-1-65
Tri-Valley Packing Assoc'n	1	11-1-64
Westgate California Corp.	2	9-1-64
Wyandotte Olive Growers Assoc'n	3	9-1-65
Total number of machines	30	

The patent situation at the start of the 1963-64 season was as follows: The patent in suit expired September 3, 1963, before commencement of the 1963-64 season. Other patents (Ashlock Patents Nos. 2,250,518, 2,271,675 and 2,219,832), which are identified on the face of the patent in suit had expired in 1957, 1958 and 1959. A method patent, No. 2,407,126 (Pl's Exh. 8), corresponding to the apparatus of the patent in suit, expired on September 3, 1963 (before the 1963-64 season). There was a single unexpired patent (No. 2,589,354, Pl's Exh. 4) of a trivial nature on a cup for holding olive while being pitted. This

cup patent was sued on jointly with the patent in suit (No. 2,406,736) and was held invalid. Respondent took no appeal.

Therefore, at the commencement of the 1963-64 season all of Respondent's patents had expired or had been held invalid.

Nevertheless, 30 out of a total of 43 olive pitting machines remained bound by long-term leases from Respondents, accounting for approximately 70% of the total of leased machines in the United States. Some of these leases expired later in 1963, some in 1964 and others in 1965. The lessees were legally free to lease machines from Petitioner, or from anyone else, and to use them if they wished, but in the meantime they were bound to pay minimum rentals of $3500.00 per annum per machine to Respondent even though Respondent's machines were idle. (Ashlock lease, Def's Exh. QQ, par 5(c), as modified by rate reduction notice, Pl's Exh. 22).

Petitioner contended that this constituted a misuse because, by contract (long-term lease agreements), Respondent had extended its near monopoly on olive pitting machines for a substantial period of time after expiration of its last valid patent. The District Court held that there was no misuse because no significant relationship was shown between the leasing practice and the patent in suit. (Finding of Fact No. 26, Appendix A, page 27). The Court of Appeals expressly affirmed this holding and distinguished from *Brulotte v. Thys* (decided after the decision by the District Court) on the ground that *Brulotte* holds merely that an exaction of royalties after expiration of a patent is unlawful, whereas the District Court in the case at bench, limited damages to the period prior to expiration of the patent in suit. (Appendix C, page 34, footnote 1)

It is Petitioner's contention that, under the rule of *Scott v. Marcalus*, 326 U.S. 249, 256; 90 L.Ed. 47, 51; 66 S.Ct. 101, 104 and *Brulotte*, a system of long term lease agreements which is entered into before but which extends beyond the date of ex-

piration of the last valid patent on the leased machines, and which precludes customers from leasing machines from competitors after all valid patents have expired, is illegal *per se* and is a patent misuse where, as here, it is coupled with a patent infringement suit.

REASONS FOR GRANTING THE WRIT

1. The issuance of a patent is primarily to benefit the public by promoting the progress of science and the useful arts. To foster that purpose patents are strictly construed. U.S. Constitution, Article 1, sec. 8; *Pennock v. Dialogue*, 2 Peters 1, 19; 7 L.Ed. 327, 333 (1829); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511; 37 S.Ct. 416, 418; 61 L.Ed. 871, 876 (1917). A long line of cases commencing with *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, supra, and culminating in *Brulotte v. Thys Co.*, ... U.S. .....; 85 S.Ct. 176; 13 L.Ed. 2d 99 decided during the October, 1964 term of this Court, have struck down all manner of attempts to extend the patent monopoly, either by extending the scope of the monopoly to things not covered by the claims of the patent, or by prolonging the duration of the patent monopoly by resort to estoppel, contract or a State law of unfair competition.[3]

The Courts below gave an unreasonably broad interpretation to Claim 11 of the patent in suit; they sanctioned a long term

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3. *Motion Picture* is a leading case on tie-ins of patented with unpatented materials; *Brulotte* is the definitive case on extending the patent monopoly by contract; *Scott Paper v. Marcalus*, 326 US 249; 66 S.Ct. 101; 90 L.Ed. 47 (1945) applies the rule to efforts to prolong the monopoly of an expired patent by resort to an assignment and the estoppel of an assignor to dispute validity; and *Compco Corp. v. Day-Brite Lighting Inc.*, 376 US 234; 84 S.Ct. 779; 11 L.Ed. 2d 669 (1964) and *Sears, Roebuck & Co. v. Stiffel Co.*, 376 US 225; 84 S.Ct. 784; 11 L.Ed. 2d 661 (1964) applied the rule that, once a patent has entered the public domain (whether by expiration or invalidation) its effective monopoly may not be prolonged by resort to a State law of unfair competition.

leasing system which extends the patent monopoly beyond the expiration of the last valid patent on the Respondent's machine; and they awarded as damages all of the lease income of Petitioner without any deduction to reflect the fact that most of the patents (all but one of the valid patents) on the machine expired before the alleged acts of infringement. By so doing the Courts below extended the patent monopoly both as to its term and its scope.

2. The Courts below have sanctioned a system of long term leasing and the resulting prolongation of the patent monopoly beyond the date of expiration of all applicable valid patents. This question is unlikely to be litigated in any other circuit than the Ninth Circuit. The states comprising the Ninth Circuit (California in particular), account for a very large proportion of the useage of fruit processing machines. California accounts for all of the olive production and processing in the United States.[4] Pl's (Respondent's) Exhibit 21, offered and received in evidence to show custom and practice in the industry with regard to leasing fruit processing equipment, identifies Food Machinery Company (a California company) as following the practice of long term leasing.

3. The Court of Appeals has misinterpreted *Brulotte v. Thys Co.*, ... U.S. ....., 13 L.Ed. 2d 99; 85 S.Ct. 176. *Brulotte* was decided by this Court after the case at bench was argued and submitted. In footnote No. 1 to its opinion the Court of Appeals attempted to distinguish *Brulotte* as follows:

(1) *Brulotte* holds that the exaction of royalties for use of a patent after expiration of the patent is unlawful and a patent

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4. Paragraphs 16 to 23 of the Joint Pretrial Order, appearing at Vol. 1, pages 85-88 of the record before this Court, establish that all olive packers in the U.S.A. are accounted for by Lindsay and the lessees of Petitioner and Respondent and that all of those lessees have their olive packing operations in California. There is no dispute about the fact that Lindsay is also located in California.

misuse; but, in the case at bench, damages were awarded only for the period preceding expiration of the patent.

(2) The District Court in the case at bench found (and the evidence supported the finding) that there was no significant relationship between the patent in suit and Respondent's leasing practice.

The first ground of distinction (that damages are limited to the pre-expiration period) overlooks the fact that *all* of Petitioner's lease income was awarded to Respondent without any deduction and without any allowance for the fact that most of the applicable patents expired *before* the alleged acts of infringement. The award gave Respondent as much relief (all of Petitioner's lease income) as Respondent would have received had all of its patents been in force. The rationale of *Brulotte* is that, when a patent has expired, the right to collect royalties *or damages* is spent. The Court of Appeals overlooked the fact that the patent damage statute[5] relates damages to a reasonable royalty. The injustice of this holding may be highlighted as follows: Suppose that Respondent had sued Petitioner for infringement in 1956 when Respondent's patents Nos. 2,250,518, 2,271,675 and 2,218,832, as well as the patent in suit, were unexpired. Suppose, also, that Respondent's patent 2,589,524 (which was held invalid in this litigation) had been held valid; and that all five patents had been held infringed. In that case, since the entire machine would have been covered by five valid patents, all of which were infringed, apportionment would have been properly refused. *But the same result—a refusal of apportionment—has occurred in the actual case confronting us, notwith-*

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5. 35 USC 284 reads in pertinent part as follows:
"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but *in no event less than a reasonable royalty* for the use made of the invention by the infringer, together with interest and costs as fixed by the court." (Emphasis added.)

standing expiration of three of the five patents and invalidation of a fourth patent. The public has received nothing by virtue of expiration and invalidation of four out of five patents!

The second ground of distinction (no significant relationship between Respondent's leasing practice and its patents) is at odds with several uncontroverted facts, as follows:

First, Respondent's lease agreement contained an over-reaching patent clause which read as follows (par. 14 of Def's Exh. QQ):

> "14. ACKNOWLEDGMENT OF VALIDITY OF PATENTS. Lessee acknowledges the validity of each of Lessor's patents issued or acquired by Lessor heretofore or during the term of this agreement; and Lessee agrees to refrain from contesting the validity of each of said patents so long as such patent is in force and irrespective of whether or not this agreement then be in force."

This was modified on the eve of trial by a rider (Pl's Exh. 88, with rider attached). This clearly tied the lease to Respondent's patents.

Secondly, Respondent never withdrew its demand for injunctive relief and it persisted to the bitter end in its demand for post-expiration damages to compensate it for loss of rentals *after* expiration brought about by leases entered into between Petitioner and olive packers *before* expiration of the patent in suit. Cf. the following colloquy of the District Court and counsel for Respondent appearing at Vol. 15, pp. 18 and 19 (This occurred June 25, 1963, after the trial and only 10 weeks before the patent in suit expired):

> "THE COURT: . . . In other words, what I am driving at, Mr. Neal, if you want damages over and beyond the 3rd of September and the damages to which you are entitled only arise by reason of patent infringement and they are not contractual or lease damages to which you are entitled, and if you start tying them in too closely and too much together, it may be that you are moving into the field of misuse. I am

not saying you are, but I would certainly give it serious consideration."

* * * * * * *

"MR. NEAL: . . . Now, it seems to me to follow from that that our contention that we should be entitled to damages—I tried to point this out in the opening brief—need not be looked at in a time sense measured after September 3rd, 1963. [the date of expiration of the patent in suit] The point is that customers were taken from us. They were taken from us for three years in each instance. This was due to the defendant's three year leasing policy. Therefore, if it should develop that we were entitled . . ." (Matter in brackets added)

Finally, this view of the lower courts conflicts with the view of the Court of Appeals for the Third Circuit in *F.C. Russell Co. v. Consumers' Insulation Co.*, 226 F.2d 373, 376 (1955). In that case the question decided was whether an exclusive dealership arrangement was a patent misuse. The Court of Appeals for the Third Circuit held that it was. The Court took note of, and respectfully differed from the report of the Attorney General's National Committee to Study the Antitrust Laws, which is quoted in pertinent part in the footnote at page 226 F.2d 376 as follows:

"The Committee said in its comment on the Russell v. Comfort case, Report of the Attorney General's National Committee to Study the Antitrust Laws, March 31, 1955, at p. 251:

'a. Scope of the Misuse Doctrine.

'The outer reach of the misuse doctrine has not yet been fully defined. We believe, however, that the doctrine should extend only to those cases where a realistic analysis shows that the patent itself significantly contributes to the practice under attack. A mere theoretical analysis without consideration of actual commercial effect is misleading, for then almost any use of a patent—even an ordinary infringement suit—can be attacked on the ground that its repercussions extend to commerce outside the range of patent. *Thus in Russell v. Comfort injunctive relief for*

patent infringement was denied because the patented product was marketed through exclusive dealer agreements. While the patent was mentioned in the recitals of the agreements, there was nothing to indicate that it had any practical relationship with the exclusive agreement or bearing on the enforcement of the patent. We believe that the approach of this case confuses the conduct of the patentee in relation to the patent and his conduct with reference to other matters.' (Emphasis Russell's)."

Russell v. Comfort referred to in this footnote is an earlier Russell case involving the same practice and the same patentee, reported at 194 F.2d 592 and decided by the 7th Circuit.

In *Russell v. Consumers* the 3rd Circuit commented on the Attorney General's report as follows at 226 F.2d 376:

"We cannot agree with the Attorney General's Committee, distinguished as its membership is, when the Committee says in commenting on Russell v. Comfort, that 'there was nothing to indicate that * * * [the patent] had any practical relationship with the exclusive agreement.' There is in fact a relationship and it seems to us to be a very practical one, for it may not be assumed that the contracts and the patent came into juxtaposition inadvertently or accidentally. The parties, their dealers, distributors and, indeed, their customers, are not living in a strange, non-commercial world where exclusive agreements are found under Christmas trees.

But, aside from the foregoing, the Supreme Court has held that whether an illegal provision of a contract is or is not enforced makes no difference if the contract gives the patentee, as here, the power to effect enforcment. See, for example, United Shoe Machinery Corp. v. United States, 258 U.S. 451, 458 (1922), and similar decisions. Certainly, if the law is to be changed in this respect, it should be altered by the Supreme Court and not by this tribunal."

4. *Brulotte v. Thys* holds that:

". . : a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." (..... US at .....; 85 S.Ct. at 179; 13 L.Ed. 2d at 102)

In the case at bench, the Court of Appeals has added an emasculating gloss, as follows: But if the patentee has several patents which expire at different times, he may, as long as even one of his patents is unexpired, and after all others have expired, enter into long term lease agreements which extend beyond the term of his last patent.

Clearly, under *Brulotte,* a patentee may not, before his patents expire, enter into a royalty agreement which requires payment of royalties after the patents expire. But the Court of Appeals in the case at bench holds that a patentee may, with impunity, enter into long term lease agreements before his patents expire (at a time when his patents give him a legal monopoly) and that these agreements may lawfully require his lessees to continue payment of the same rentals long after all of his valid patents have expired.[6] It is not necessary to decide (and Petitioner does not ask this Court to decide) that long term leases are illegal *per se.* Petitioner does ask this Court to determine whether long term leases entered into *before* a lessor's patents have expired and which protect the position of the patentee both before and *after* his patents have expired, and which exact the same rentals *before* and *after* expiration, constitutes the defense of misuse in a suit for infringement of the last remaining valid patent.

5. An important question of statutory construction is presented which has not been passed on before by this Court. The statute in question is 35 USC 112 which reads, in pertinent part, as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing the specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the

6. The Ashlock (Respondent's) uniform lease, Def's Exh. QQ, even after a rate reduction (Pl's Exh. 22) and even after pressure of litigation forced Respondent to modify a harsh patent provision of the lease (Pl's Exh. 88. See discussion supra, page 18) required the lessee to continue paying the same rental after the expiration and invalidation of all patents.

corresponding structure, material, or acts described in the specification and equivalents thereof."

This relates to the scope of the patent monopoly and the degree of strictness or liberality with which the lower courts may construe the extent of the monopoly.

In the case at bench, Claim 5 (a narrow claim which specifically recites a certain structure) was sued on upon the ground that Petitioner's structure, although not the same, was an equivalent. Claim 5 was withdrawn in the light of evidence tending to prove lack of equivalence. Respondent persisted with a broader, functional claim (Claim 11) which recited the same element but in terms of what it would do rather than in terms of its structure; Claim 11 is a functional "means" claim within the meaning of 35 USC 112.

Respondent could not admit lack of equivalence with respect to Claim 5 yet contend for equivalence with respect to the same element in Claim 11. Instead Respondent persuaded the Courts below to overlook 35 USC 112; to pass over the admission of non-equivalence implicit in the withdrawal of Claim 5;[7] and to adopt a literal interpretation of Claim 11.

This is a departure from statutory construction and should be reversed by this Court; otherwise it will stand as a precedent and an open invitation to patentees to try their luck in infringement suits with narrow structural claims, but if the going gets rough, then to abandon the narrow claims and shift to broad, functional claims which do not embarrass one with the problems of equivalents.

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7. The only reference in the opinion of either Court below to Claim 5 is Finding of Fact No. 25, appearing at 225 F.Supp. 205 (Appendix A, page 27), as follows:

"25. Claim 5 of '736 has been withdrawn. Claim 5 has no effect on Claim 11.'"

The reference to "'736" indicates the patent in suit, No. 2,406,736.

CONCLUSION

It is respectfully submitted that important issues are presented with respect to the administration of the patent laws by the lower courts. These issues are a broad, overly liberal interpretation of a functional patent claim and failure to follow the guide line of 35 USC 112; a weakening of the restriction placed by this Court on extension of the patent monopoly; and an overly liberal award of damages which denies to the public the benefits that are intended to go to the public upon the expiration of patents. These issues have in common the fact that they vitally concern the important line of demarcation between private reward to the patentee and benefit to the public.

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Appendix A

Opinion of District Court

District Court, N. D. California, S. Div.

GEO. W. ASHLOCK COMPANY

v.

ATLAS-PACIFIC ENGINEERING COMPANY, INC.

No. 40581 Decided Oct. 16, 1963

ZIRPOLI, District Judge.

This cause was one for infringement of Claims 5 and 11 of Patent 2,406,736 which was granted on September 3, 1946, to George W. Ashlock, Jr., plaintiff's predecessor in interest for "Pitting Machine." The type of pitting machine constituting the subject matter of the patent (herafter designated as '736) is one for the automatic high speed pitting of olives.

By way of defense to this action for infringement of these two claims of '736, the defendant: denied infringement: asserted that the claims were invalid for failure to meet the requisite standard of invention defined by Section 103 of the patent statutes (Title 35, United States Code); asserted that the claims were invalid because they were based on a disclosure first made (i.e., new matter, defendant alleged) to the Patent Office in the application for '736 more than one year after the first pitting machine covered by the claims had been put into commercial use; asserted that '736 was unenforceable because of misuse of the patent; and counterclaimed for treble damages and injunctive relief for alleged violations by the plaintiff of the anti-trust laws. The plaintiff denied that it has misused '736 and by way of its reply to the defendant's counterclaim denied that it had violated the anti-trust laws.

Well before the cause came on for trial the Court denied, without prejudice, defendant's motion for summary judgment which was predicated in part upon a stipulated statement of facts. The

Court's reasons for denying said motion are reported at 136 USPQ 339 where there will also be found a recitation of the aforesaid stipulated statement of facts.

During the course of the trial the plaintiff withdrew Claim 5 of '736 from issue.

Based upon the issues stated above and after a trial of the case consuming twelve and one-half days during which the witnesses testified, models and physical exhibits were demonstrated and explained and the Court was thoroughly familiarized with the equipment of the prior art, of the '736 patent, and the commercial machines of plaintiff and defendant, the Court ruled in favor of plaintiff on all of said issues and makes the following Findings of Fact and Conclusions of Law, to wit:

Findings of Fact

1. Geo. W. Ashlock Company, the plaintiff, is a corporation formed under and in accordance with the laws of the State of Delaware. Plaintiff's principal place of business is in San Leandro, California.

2. Atlas-Pacific Engineering Company, Inc., the defendant, is a corporation formed under and in accordance with the laws of the State of California. Defendant's principal place of business is in Emeryville, California.

3. The patent in suit, Ashlock 2,406,736, only Claim 11 of which was at issue for decision by this Court, was granted on September 3, 1946, to George W. Ashlock, Jr., for "Pitting Machine", upon an application for United States Letters Patent filed in the United States Patent Office on March 31, 1944. The plaintiff is the successor in interest to the business of Geo. W. Ashlock, Jr., which business comprised the leasing of fruit processing machinery to fruit packers and processors. The plaintiff is likewise the lawful owner by mesne assignment of the entire right, title and interest in and to the patent in suit, No. 2,406,736, including the right to sue for past infringement of that patent.

4. Plaintiff has been the lawful owner of the patent in suit, No. 2,406,736, at all times during the commission by the defendant of the acts herein complained of by the plaintiff as constituting infringements of said patent.

5. The patent in suit, including Claim 11 of the patent, covers an olive pitting machine. Both prior to and during the time of commission by the defendant of the acts herein complained of by the plaintiff as constituting infringments of 2,406,736, the plaintiff was engaged in the business of leasing to olive packers olive pitting machines covered by Claim 11 of 2,406,736. The olive pitting machines so leased by the plaintiff bore patent number marking plates which contained on their faces the number of the patent in suit.

6. Plaintiff's cause of action arises under the patent laws of the United States. 35 U.S.C., Sections 271, 281, et seq. This Court has jurisdiction over the subject matter of the cause of action and over the parties by virtue of 28 U.S.C., Section 1338(a), and Section 1400. By way of a first counterclaim defendant sought a declaratory judgment, by virtue of 28 U.S.C., Sections 2201 and 2202, that the patent in suit was: invalid; not infringed; and unenforceable.

7. The controversy raised by the defendant's second counterclaim and the plaintiff's reply to it arises under the anti-trust laws of the United States. 15 U.S.C., Sections 1, 2 and 14. The defendant seeks relief under 15 U.S.C., Sections 15 and 26. This Court has jurisdiction and venue with respect to the parties and to the subject matter involved in the controversy raised by the second counterclaim and the reply thereto under 28 U.S.C., Sections 1331 and 1337.

8. Claim 11, the sole claim in issue of the patent in suit, reads as follows:

> 11. In combination, a conveyor movable continuously over a path and having a plurality of receptacles each

adapted to support a fruit having a substantially central pit, a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.

9. The prior art relied upon by the defendant in support of its contention that Claim 11 is invalid for failure to define patentable invention under 35 U.S.C., Section 103, consists of the following patents:

Newcomb, 1,133,054
Whitman, 1,458,163
Kok, 2,243,530
Drake et al., 2,341,857
Frova, 2,360,411.

Of these five prior patents, the only one which was expressly cited by the Patent Office Examiner against the application for '736 was the Frova patent.

10. The olive pitting machine shown and described in the drawings and written description of '736 is termed by the plaintiff as its Type B machine. Type B machines went into commercial use in May, 1944, under leases for terms of not less than three years.

11. About two years after the introduction to the olive packing industry of his Type B machine, George W. Ashlock, Jr.

offered a refined version, known as the Type C machine, of his olive pitting machine to the industry. The Type C machines gradually replaced the Type B machines as the latter were returned to the Ashlock plant for repair and overhaul and as the leases relating to the Type B machines expired and new leases were negotiated.

12. About one to two years after the Type C machine first became available to the industry, George W. Ashlock, Jr. offered another refined version, known as the Type D machine, of his olive pitting machine to the industry. The Type D machines gradually replaced the earlier Ashlock machines as the latter were returned to Ashlock plant for repair and overhaul and as the leases relating to the earlier machines expired and new leases were negotiated.

13. The Type B, Type C and Type D Ashlock machines as well as the defendant's machines which are charged to infringe Claim 11 of '736 are all characterized by the following relationship of parts and manner of operation, as called for by Claim 11:

(a) a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit,

(b) a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,

said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion,

(c) a plunger reciprocatively supported by said first portion,

(d) a coring knife reciprocatively supported by said second portion, and

(e) means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and

knife in the same direction transverse to said conveyor and at substantially the same rate.

14. Newcomb 1,133,054 discloses a method for pitting olives wherein a plunger enters an olive from one end, a coring knife enters the olive from the other end, the knife stopping short of the pit, and thereafter the plunger moves, while the knife remains stationary, to move the pit fully within the hollow knife and out of the olive. Claim 11 distinguishes over Newcomb in the following italicized particulars:

> 11. In combination, *a conveyor movable continuously over a path and having a plurality of receptacles* each adapted to support a fruit having a substantially central pit, *a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion,* a plunger *reciprocatively supported by said first portion,* a coring knife *reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.*

15. Kok 2,243,530 discloses an automatic and continuously operable pitting machine for the pitting of cherries. This pitting machine has a continuously movable receptacle-conveyor, a pitting head mounted for reciprocating movement along the conveyor, a plunger reciprocatively supported by the head above the conveyor, and means for moving the plunger toward and transverse of the conveyor during advance of the head. Claim 11 distinguishes over Kok in the following italicized particulars:

11. In combination, a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit, a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor *and a second portion underlying said path portion,* a plunger reciprocatively supported by said first portion, *a coring knife reciprocatively supported by said second portion,* and means for *first* moving said plunger *and said knife substantially simultaneously* toward *each other during advance of said head and for then moving said plunger and knife in the same direction transverse to* said conveyor *and at substantially the same rate.*

The foregoing claim italicizing requires some clarification. In lieu of what is called for in the last five lines of the claim, Kok has the following:

"and means for first moving said plunger toward said conveyor during advance of said head and for then moving said plunger transverse to said conveyor."

16. Whitman 1,458,163 discloses a fruit pitter wherein the conveyor, which is of the indexing and drum type, remains stationary during the pit removal operation. Whitman's pitting head has upper and lower plunger elements which are moved together toward the fruit to be pitted. The lower plunger element moves at twice the rate of speed of the upper plunger element, and consequently once both elements have engaged the fruit pit the lower element drops away rapidly, leaving the pit to be removed from the fruit by the upper element alone rather than being carried out of the fruit while both elements engage the pit. In Whitman, the pitting head is not mounted for reciprocating movement along the

conveyor. Claim 11 distinguishes over Whitman in the following italicized particulars:

> 11. In combination, a conveyor movable *continuously* over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit, a pitting head *mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,* said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other *during advance of said head* and for then moving said plunger and knife in the same direction transverse to said conveyor *and at substantially the same rate.*

17. Frova 2,360,411 discloses a fruit pitter wherein fruit to be pitted descend through feed chutes to pick-up stations. Opposed plunger elements come together on the fruit pit and thereafter the elements move together in the same direction to carry the fruit against a pocket-shaped portion of a fixed scavenging plate, the plate serving to strip the fruit from the pit as the follower plunger element forces the pit through a pit-passing aperture in the plate. Frova does not disclose that the pit is engaged by both of the plunger elements as the pit is removed from the fruit. Frova lacks the receptacle-conveyor called for by Claim 11, and because of this lack Frova does not accomplish pit removal while the fruit is stationarily positioned within a moving receptacle-conveyor. Claim 11 further distinguishes over Frova in the following italicized particulars:

> 11. In combination, a conveyor *movable continuously over a path and* having a plurality of receptacles each adapted to support a fruit having a *substantially central pit,* a pitting

head *mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,* said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.

18. Drake et al. 2,341,857 discloses an automatically and continuously operable fruit pitter wherein gripping fingers carry each fruit, or olive, along to a point where the olive is seized between oppositely disposed punch and die elements, the die carrying a coring tube, or knife, which is relatively movable with respect to it to effect a coring cut in the olive while the olive is disposed between and seized by the punch and die elements. Thereafter the die is moved to strip the olive from the pit by forcing the olive over the then stationary punch. Prior to the pitting of the olive the olive gripping fingers are released from the olive, the olive conveying function being thereafter assumed by the punch and die elements, which perform the coring and pitting functions. Drake et al. do not employ a receptacle-conveyor which functions to support and move the olives while they are being cored and pitted. The following italicizing in Claim 11 indicates the lack in Drake et al. of a receptacle-conveyor and the consequent lack of the function and relationship of such a conveyor with the other elements called for by the claim:

11. In combination, *a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit,* a pitting head mounted for a *reciprocating* movement *along said con-*

veyor at a forward rate of advance substantially that of said conveyor, said head including a first portion *overlying a portion of the path of said conveyor* and a second portion *underlying said path portion,* a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife *substantially simultaneously* toward each other during advance of said head *and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.*

19. Having carefully considered the five prior art patents relied upon by the defendant and the oral testimony given by the witnesses called by both parties concerning these patents, and having carefully considered the drawings and written description of the pitting machine of '736 and the oral testimony given by the witnesses called by both parties concerning the same, I find that the advance in the art of pitting machines contributed by the disclosure of '736 amounts to the following: the combining for the first time of aligned plunger and coring knife elements with a continuously movable conveyor and with means for mounting and actuating said elements so that they are caused to move with a dual reciprocating motion, relative to the moving conveyor, with this dual reciprocating motion being characterized by movement of the plunger and knife elements in advance with the conveyor and at the rate of travel of the conveyor and by subsequent movement of the plunger and knife elements, first, toward each other and toward the conveyor and, then, in the same direction transversely of the conveyor and at the same rate. I further find that this advance in the art is fairly and accurately delineated by Claim 11 of '736.

20. For an invention to be patentable it must be new and useful, as required by 35 U.S.C., Section 101. Having found that Claim 11 defines an advance in the art, it follows that the subject

matter of Claim 11 has the requisite newness or novelty required by the statute. The invention defined by Claim 11 is useful. Usefulness is adequately demonstrated by the fact that the Type B machine, which in the words of '736 was in 1944 the "present preferred form of machine embodying this invention", was introduced to the olive packing industry in 1944 and remained in use for a number of years.

21. While Drake et al. 2,341,857 was not cited by the Patent Office against the application for '736, there is sufficient evidence in the record before this Court to warrant the herein finding that Drake et al. was considered by the Patent Office Examiner in connection with the application for '736. The same Patent Office Examiner who considered and cited Frova 2,360,411 against the application for '736 and who thereafter allowed Claim 11 over Frova examined and granted the application of George W. Ashlock, Jr. for Patent No. 2,407,126. The latter patent, which contains claims directed to a method of pitting rather than to pitting apparatus, discloses the Type B machine disclosed in '736 and was granted on September 3, 1946, the date of grant of '736. The application for 2,407,126 furthermore stated that it was a continuation in part of the earlier filed application for '736.

During the course of solicitation of 2,407,126, the examiner rejected certain claims, which were directed to a method of pitting which inhered in the use of the Type B machine disclosed in '736, for the reason that those particular claims were not patentable over either Frova 2,360,411 or Drake et al. 2,341,857.

Under a similar factual pattern as to identity of examiner, cross-referencing and similarity of disclosures between two co-pending applications of the same applicant, and citation of a prior art reference against one application but not against the other, it has been held that the prior art reference in question should be deemed as having been considered, although not cited, with respect to the other application. See, for example, Otto v. Koppers Company, Inc., et al., CA 4, 246 F.2d 789, 114 USPQ 188, 198.

22. 35 U.S.C., Section 282, accords to Claim 11 a presumption of validity and provides that the burden of establishing the invalidity of Claim 11 rested upon the defendant. On the basis of the total weight of the evidence, including the oral testimony of the witnesses, I am unable to find that the defendant has met this burden. To the contrary, I am constrained to find that the defendant has not met this burden and that Claim 11 is in fact valid. In so finding I have in mind the following:

(a) With respect to each of the Drake et al. and Frova patents, the prior art patents which were cited and/or considered by the Patent Office Examiner in connection with the application for '736, the presumption of validity remains unrebutted and runs to and has added force with respect to each of the three criteria of novelty, usefulness and unobviousness. J. A. Mohr & Son v. Alliance Securities Co., CCA 9, 14 F.2d 799, 800.

(b) With relation to the Newcomb, Kok and Whitman patents, there is no evidence that the Patent Office Examiner considered the same.

However, each of the three patents, Newcomb, Kok and Whitman, is less pertinent with respect to the subject matter of Claim 11 than either the Frova patent, or the Drake et al. patent. Also, neither Newcomb, Kok nor Whitman is any more compatible with either Frova or Drake et al., from the standpoint of teaching or suggesting how either of the latter might be modified through the exercise of the ordinary skill of the art to meet Claim 11, than other prior art cited by the Patent Office against the application for '736.

In these respects reference is had to Finding 14 concerning Newcomb, to which Finding there is here added that Newcomb merely discloses in a semi-schematic manner the coring and pitting of an olive, no receptacle or other form of holder for the olive being disclosed and no pitting equipment being disclosed other than a coring knife per se and a plunger per se.

In these same respects reference is had to Finding 15 concerning Kok. Also, while the Kok patent was not cited against the application for '736, two prior patents which had been granted to George W. Ashlock, Jr., 2,250,518 and 2,271,675, were cited against the application for '736. Each of Ashlock 2,250,518 and Ashlock 2,271,675 refers to and incorporates by reference the disclosure in an earlier patent, 2,157,518, which was granted to George W. Ashlock, Jr. The plaintiff's witness, Hesse, testified that the cherry pitting head disclosed in the Kok patent was essentially identical with the cherry pitting head disclosed in Ashlock 2,157,518.

In these same respects reference is had to Finding 16 concerning Whitman. Also, in comparing Whitman with Frova with respect to the subject matter of Claim 11, I find that: neither Whitman nor Frova has a conveyor which is "movable continuously over a path"; neither Whitman nor Frova has a pitting head which is "mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor"; both Whitman and Frova have a "plunger reciprocatively supported"; Whitman has a knife which is "reciprocatively supported", but this knife is not a "coring" knife, while Frova has "a coring knife reciprocatively supported"; both Whitman and Frova have means for first moving said plunger and said knife substantially simultaneously toward each other"; and Whitman does not have, while Frova does have, means for then moving said plunger and said knife at substantially the same rate in the same direction.

As to the comparison of Whitman with Drake et al. with respect to the subject matter of Claim 11, reference is had to Finding 16 concerning Whitman and Finding 18 concerning Drake et al.

(c) In Finding 19 I have pointed out what I have found to be the advance contributed to the art of pitting machines by the disclosure of '736 and that this advance in the art is properly defined by Claim 11. I further find that Claim 11 is directed to a true combination of elements in which the elements by way of their

joint action on their common object, an olive and its pit, perform additional functions and accomplish additional effects, as distinguished from a mere aggregation of elements in which each element remains unchanged in function and effect. During the course of the cyclic dual reciprocative motion of the plunger and coring knife elements which I have found to be the advance in the art in Finding 19 made by the disclosure of '736 and Claim 11, the co-action of the knives as they move in the same direction transversely on the conveyor and at the same speed produces an additional function and effect over and above the functions and effects producible by these elements in their separated state, namely, not only is the olive pit moved outwardly of the olive while the coring knife serves as a reinforcement tube for the cored end of the olive, thereby protecting this cored and weakened end of the olive against tear or breakage, but the pit is guided outwardly of the olive while it is engaged endwise by the knives and while it is subjected to at least a degree of endwise compression by the knives, thereby preventing any skewing movement of the pit as it travels out of the olive. Such skewing movement, if permitted to occur, can result in the production of a pitted olive which is torn or broken at the end through which the pit has been removed.

The dual reciprocative motion of the plunger and coring knife elements relative to the moving conveyor in and of itself amounts to an additional function which is achievable by the co-action of the elements of Claim 11, but which is not achievable by the elements in their individual capacity, i.e., when they are considered as being outside of the context of relationship called for by Claim 11. This further additional function produces an additional effect or advantage in the sense that a pitting machine having plunger and coring knife elements movable with the dual reciprocative motion described in Finding 19 is capable of a speed of operation, and hence productive capacity as to its output of pitted olives, which is substantially greater than the speed of operation of, for example, the type of olive pitting machine shown in the Drake

et al. patent. W. H. Kagley, one of the co-inventors named in the Drake et al. patent, testified during the course of the trial. He testified that from 1940 to the present time olive pitting machines of the type shown in the Drake et al. patent had been operated by the Lindsay Ripe Olive Company at a variable rate of speed to produce from 850 to 1200 pitted olives a minute. He stated that there were 30 pairs of punches, or plungers, and coring tubes, or knives, carried by the continuously rotating drum units which serve as carriers for these punch and tube elements. Each punch and coring tube pair operates at a coring and pitting stroke speed of from about 28 strokes a minute to obtain an output of 850 olives per minute up to 40 strokes a minute to obtain the maximum output for the machine of 1200 pitted olives per minute.

By way of contrast to this range of about 28-40 pitting strokes per minute per knife pair with production machines of the type shown in the Drake et al. patent, plaintiff's Type B, Type C, and Type D machines, and defendant's machines alleged to infringe '736, all of which machines operate in accordance with the dual reciprocative motion described in Finding 19, have been commercially operated at speed ranges on the order of 140-160 strokes per knife pair per minute. The rate of pitting action of these machines of the plaintiff and the defendant is so rapid that when a knife pair (plunger-coring knife) is moved transversely of the conveyor with an olive pit between the knives of the pair, the rate of acceleration of the knife pair and interposed pit downwardly is such as to cause the lower, or coring, knife, which in each of the Type B, Type C, Type D, and in the defendant's machines is slidably mounted relative to its carrier member, to exert an upward pressure due to inertial effect against the pit. This is a further additional function and additional effect which is inherently obtainable with olive pitting machines which are operable in accordance with the dual reciprocative motion described in Finding 19 when operated at commercial production speeds.

While a pitting head system wherein the upper and lower aligned knives have the dual reciprocative motion described in Finding 19 gives such a pitting head system a high output capacity potential for the pitting of olives, it is the combination with such a pitting head system of the continuously moving conveyor which brings this high output capacity potential to fruition. The co-active cycle of movement between the upper and lower knives of such a pitting head system and the continuously movable conveyor is one that is characterized by relative movement between the upper and lower knives and the conveyor in the direction of travel of the conveyor. Such relative movement, which consists of an accelerating advance of the upper and lower knives until their forward speed matches that of the conveyor and a decelerating retreat of the upper and lower knives in a direction counter to the direction of movement of the conveyor, the latter being for the purpose of allowing the next in line of unpitted olives to arrive at the coring and pitting station during the time when the next accelerating advance of the upper and lower knives will have enabled the knives to catch up with and travel at the same speed as said next in line of unpitted olives, amounts to a further additional function which arises out of the combination of the particular pitting head system called for by Claim 11 with the continuously movable conveyor called for by Claim 11, said function not being derivable from any one of the elements, taken individually, of Claim 11. This additional function enables the obtaining of the practical and desirable additional effect of high productive capacity. In Drake et al., there is no relative movement between the olives and the sets of knives with reference to the direction of travel of the olives. In Frova, the olives are stationary while the knife pairs are being moved into engagement with them.

(d) As above indicated, W. H. Kagley, one of the co-inventors of the olive pitting machine disclosed and claimed in the Drake et al. patent and who for many years to date has been the chief engineer of the Lindsay Ripe Olive Company of Lindsay, Cali-

fornia, testified during the course of the trial. Mr. Kagley has served as an employee of Lindsay Ripe Olive Company for about 29 and ½ years and has been Lindsay's chief engineer for about 24 years. Since prior to 1940 Mr. Kagley's activities as an employee of Lindsay Ripe Olive Company have involved the development and improvement of Lindsay's olive pitting machinery. Linsay Ripe Olive Company was the first company in the United States to commercially produce pitted olives and it is reputed to be at the present time the largest commercial producer and packer of pitted olives anywhere in the world.

Mr. Kagley was called as a witness by the defendant during the course of the trial. The plaintiff objected to this for lack of notice under 35 U.S.C. 280. The Court permitted Mr. Kagley to testify over plaintiff's objection after assuring the plaintiff that it would protect the plaintiff against the element of surprise by way of any reasonable measure, such as a recessing of the trial. The plaintiff waived any such protective measure. It then developed that Mr. Kagley was examined closely and at length by counsel for both sides and by the Court.

Mr. Kagley admitted that the Drake et al. patent did not disclose that the coring tube, or knife, of the pitting machine shown in the Drake et al. patent fully cored the olive up to the pit and that consequently the patent did not disclose the separation of the olive from the pit while the latter was engaged or held between the plunger and the coring knife. Mr. Kagley thereby admitted that the Drake et al. patent did not disclose the function or effect, obtainable with the invention of Claim 11 of '736, as above set forth, of the engaging of the two ends of the pit with the plunger and the coring knife during pit removal.

Mr. Kagley also admitted that the Drake et al. patent did not state that it was the intention of the inventors that the rod, or coring tube, designated by the reference numeral 250 in Figs. 12-14 be adjustable. Adjustability of this rod, or tube, would be necessary to enable the coring element to core an olive all the way up

to the pit. The witness also testified that the threaded connection between the coring tube and the collar in Figs. 12-14 appeared to signify merely a manner of attachment and not to indicate that the coring tube was adjustable. The witness was unable to answer the question as to whether the coring tube mounting system of Figs. 28-32 of Drake et al. would be recognized by one skilled in machinery, or an engineer, as being intended for adjustment of the coring tube indicated by the reference numeral 428. With reference to this coring tube mounting system of Figs. 28-32, the Drake et al. patent makes no mention of adjustability of the coring tube but merely refers to the mounting system as being one whereby the coring tube is made subject to repair and replacement.

On the basis of Mr. Kagley's testimony, the Court finds that the Drake et al. patent not only does not disclose the full coring of an olive to bring the coring tube into engagement with the pit but also that the Drake et al. patent does not contain the suggestion to one of ordinary skill in the pitting machinery art that this be done.

Mr. Kagley testified that the machine shown in the Drake et al. patent was operated in practice at the Lindsay plant from the outset of its use in about 1940 by setting the coring tube so that it would engage the pits during the coring and pitting operation. Such testimony standing by itself, as it does, is insufficient to establish prior public use or knowledge of an olive pitter in which the pit was removed by being endwise engaged by the coring knife and pitting knife. Cold Metal Products Co. v. E. W. Bliss Co., CA 6, 285 F.2d 244, 128 USPQ 49, 62.

Even if Mr. Kagley's testimony in respect to removal of a pit while it was endwise engaged by the coring knife and pitting knife had been substantiated, the Court would not have considered that this had any controlling effect on the issue of validity of Claim 11.

Assuming, arguendo, that Mr. Kagley's testimony as to endwise engagement of the pit by the coring knife and the pitting

knife was had during pit removal met the standard of proof commonly required, the prior use or knowledge thereby established was not, as is required, public in nature prior to the making of the invention of '736. The invention of '736 was made between September 30, 1943 and November 13, 1943.

Mr. Kagley was not sure that Lindsay exhibited its machines to the public prior to February 15, 1944, the date of issuance of the Drake et al. patent. The witness stated that he did believe that the public was admitted to the plant to view the machines when Lindsay was assured that the Drake et al. patent would be granted. Assurance that a patent will be granted is only had when the Patent Office issues a Notice of Allowance. The Notice of Allowance of the Drake et al. patent application was dated December 28, 1943, a date after the invention of '736 was made.

Just prior to the date of issuance of the Drake et al. patent, Lindsay Ripe Olive Company had one machine of the type shown in the Drake et al. patent in operation. This machine was cleaned up, repaired, and maintained during evenings or on Saturdays. If the coring tube needed sharpening, that was usually done on Saturdays when the few employees in the plant would not be aware of the work in progress. Mr. Kagley and his helper were the only ones to have a hand in the dismantling of the machine to repair it. Mr. Kagley did testify that at least the plant superintendent of Lindsay Ripe Olive Company was aware of the inner details of the pitter.

On the basis of Mr. Kagley's testimony, taken with the fact that the Drake et al. patent makes no disclosure or suggestion of the coring tube contacting the pit, the Court is caused to find that coring to the pit, if such did take place at the Lindsay plant prior to 1944, was maintained as a trade secret until at least after the time of the invention of '736 was made. If such coring to the pit took place, the use and knowledge thereof was secret rather than public, and it has no effect on the question of validity of Claim

11 of '736. Gillman et al. v. Stern et al., CA 2, 114 F.2d 28, 46 USPQ 430, 433.

A significant part of Mr. Kagley's testimony consists of his statement that it was necessary to core an olive to the pit and that proper pitting and coring could not be obtained if the coring knife did not contact the pit, no matter how small the distance between the knife and pit was. The plaintiff's expert fact witness, E. J. Hesse, a vice president of the plaintiff and for many years, and still, plaintiff's chief engineer, testified along the same lines. Defendant's expert fact witness, M. L. Loveland, its vice president and chief engineer and the one primarily responsible for the design and development of defendant's olive pitting machines, testified that it was not necessary to core the olive to the pit and that proper pitting and coring could be obtained if the coring knife did not contact the pit as long as the coring knife was brought rather close to the pit before the removal operation on the pit commenced. Mr. Loveland admitted, however, that, except in the case of abnormally short pits, pitting and coring was achieved with defendant's pitting machines by way of coring the olive deep enough to engage the coring knife with the pit and thereafter moving both the plunger, pit and coring knife out of the olive while the pit was engaged by both the plunger and the coring knife.

(e) Where, as here, the elements claimed in combination amount to a true combination rather than a mere aggregation of elements, this is in itself some evidence of the presence of patentable invention because the patentee has added something to the total stock of knowledge by way of the further functions and effects which are obtainable by the elements in combination but not obtainable from them in their individual or separate status.

(f) The Court finds as a fact that novelty in the sense of newness is reflected in that portion of Claim 11 which precedes the "means" clause thereof. It was new in the art at the time the invention of Claim 11 of '736 was made to provide a pitting head

mounted for a reciprocating movement along a conveyor wherein the pitting head was provided with a first portion overlying the conveyor and having a reciprocatively supported plunger and a second portion underlying the conveyor and having a reciprocatively supported coring knife. The means clause of Claim 11 is a necessary part of the claim from the standpoint of rendering the claim complete, but this "means" clause merely serves the office of bringing into working relation the pitting head and conveyor earlier described in the claim to obtain the dual reciprocative montion described in Finding 19.

(g) The defendant's defense of invalidity of Claim 11 is of the mosaic type, being based as it is on the five abovementioned prior art patents and the testimony of Mr. Kagley. The Court finds that it would require the exercise of hindsight, based upon knowledge beforehand of the dosclosure of '736 and of the entity constituted by the combination as a whole of Claim 11, for one having ordinary skill in the art of fruit pitting and fruit pitting machinery to perceive how to arrive at the combination of Claim 11 from the various and diverse teachings and disclosures of the five prior art patents. From this it follows, and the Court so finds, that the subject matter of Claim 11, that is, the elements set forth in Claim 11, taken in combination and as a whole, was not obvious, at the time the invention of Claim 11 was made, to a person having ordinary skill in the art to which said subject matter pertains.

The Court's findings as to novelty, utility and unobviousness of the subject matter of Claim 11 would be the same even in the absence of the presumption of validity and would likewise be the same even if no one of the five prior art patents had been considered and/or cited against the application for '736 by the Patent Office.

(h) The defendant pleaded a special defense of invalidity with respect to Claim 11. It urged that Claim 11 was invalid because it

was based upon a disclosure which was made in the application more than a year after the date of first public use of a pitting machine embodying the invention of Claim 11. The application for '736 was filed on March 31, 1944; a pitting machine embodying the invention of Claim 11 was introduced into public use by being put out on lease by George W. Ashlock, Jr. in May of 1944; on September 17, 1945, Claim 11 was asserted in the application by way of amendment; and by way of the same amendment there was added to the witten description of the application the italicized part of the following passage:

> "The pitting plungers and the coring knives are removed by the pitting head over the same path. However, when the knives are lowered by plungers 71, chains 161 raise the coring knives so the two approach each other until they *practically meet, in any case they are brought together until the space between them is far less than the length of an olive pit and either one or both of the springs resiliently mounting the plunger and the coring knife is or are compressed.*"

A setting of the plunger and coring knife so that the distance between them is less than the length of an olive pit in the absence of an olive and so that one of the springs resiliently mounting the plunger and the coring knife is compressed in the presence of an olive is inherently required by the "means" clause of Claim 11 with reference to the Type B machine shown in '736. There was, however, co-pendency between original and subsequently cancelled Claim 2 of '736 and Claim 11, and the former claim contained a "means" clause which likewise inherently required such a setting between the plunger and coring knife elements and such a spring compression during the pitting operation, i.e.:

> "and means for moving the knife and the plunger in a timed relationship to withdraw the knife from the fruit while the plunger retains the pit against the knife and the pit is forced out of the fruit while retained between the knife and the plunger."

In the light of the following factors, inter alia, the Court finds that the application, as filed, for '736 contained a sufficient disclosure of the setting of the plungers, or punch knives, and coring knives and the existence and function of the knife springs as not to constitute the amendment of September 17, 1945, a disclosure of new matter: the presence of the aforesaid "means" clause in original Claim 2; the drawings of the application, as filed, showed the springs for both the plungers and the coring knives; the written description of the application, as filed, stated that the upper punch knives were carried for movement against the bias of their springs 96 and stated that the springs 143 provided resilient mountings for the lower coring knives 130; and it is clear to the Court, from which the Court takes it that it is quite clear to one of ordinary skill in the art, that Figs. 5 and 6 shows that the upper and lower knives are set to approach each other much closer than the length of an olive pit in the absence of an olive and that the upper and lower knives travel together in the same direction in the presence of an olive with the pit engaged between them to effect pit removal. In re Wolfensperger, CCPA, 302 F.2d 950, 133 USPQ 537.

(i) The Court finds that Claim 11 covers each of the plaintiff's machines known as the Type B, the Type C, and the Type D machines. In the words of the application, as filed, for '736, the Type B machine therein shown was " the present preferred form of machine embodying this invention."

In converting from the Type B to the Type C machine the principal change made was the replacement of the chain and pulley elements of Type B, whereby downward and upward movement of the upper pitting head portion caused, respectively, upward and downward movement of the lower pitting head portion, with a lift cam, rod and link elements, whereby the same relative motions of the upper and lower pitting head portion could be obtained during pitting operation, but without tying the movement of one

head portion to the other head portion. The Court finds that the change made, as just described, was both a simple and an obvious one, being taught to one of ordinary skill in the art as a substitution of mechanical equivalents by the prior art patent to Whitman. In going from Type B to Type C the latter reflected over the former no change in identity of function and no change in substantial identity of performing that function. Both of these machines were embodiments of the advance made in the art by way of the invention of '736 and Claim 11 thereof, said advance having been definitively set forth by the Court in Finding 19.

In converting from the Type C to the Type D machines, only one change was made which was of any relevance to the subject matter of Claim 11. Instead of a wheel and track mounting system, whereby the pitting head was enabled to move back and forth lengthwise of the conveyor, the Type D machine was provided with forward and rearward pairs of parallel swing arms to carry the pitting head for to and fro movement relative to the conveyor, in the manner of the mode of suspension of the platform and opposed seats of the lawn swings of some years ago. Here too the change amounted merely to the substitution of one old carriage mounting for another.

In going from Type C to Type D the latter reflected over the former no change in identity of function and no change in substantial identity of performing that function. Both of these machines were embodiments of the advance made in the art by way of the invention of '736 and Claim 11 thereof, said advance having been definitively set forth by the Court in Finding 19.

From the 1949-1950 olive pitting season, the first year for which total industry production figures for the pitting of olives were available, through the 1960-1961 olive pitting, during which twelve olive pitting seasons the Lindsay and Ashlock olive pitters were the only ones being used by the industry, the total industry production of pitted olives amounted to 112,355,015 pounds. Of

this amount, 23,718,014 pounds were accounted for by the Lindsay machines, and 88,637,001 pounds were accounted for by the Ashlock pitting machines, i.e., predominantly of the Type D model.

The Court finds that the Type D machine amounted to a substantial commercial success and that Claim 11 is to be accorded the benefit of this commercial success inasmuch as Claim 11 has been found by the Court to cover the Type B, Type C and Type D machines of the plaintiff.

23. The contribution to the pitting machinery art constituted by the subject matter of Claim 11 is a substantial one. The plaintiff is therefore entitled to a reasonably broad application of the doctrine of mechanical equivalents, such as will be in keeping with the magnitude of the step forward in the art constituted by the teachings of '736 as defined by Claim 11 thereof.

24. With the preceding finding in mind, the Court turns to the issue of infringement. At the outset it should be noted, and the Court so finds, that Claim 11 as readable interms in its entirety upon the olive pitting machines of the defendant. It is furthermore clear, and the Court so finds, that the defendant did not change the principle of its machines in comparison to the principle of the plaintiff's machines defind by Claim 11, but that on the contrary the defendant's machines were embodiments of the advance made in the art by Claim 11, said advance in the art having been defined by the Court in Finding 19 and being characterized by the dual reciprocative motion of the upper and lower pitting head portions described in said finding.

The defendant's machines are provided with separate cams for the separate control of the upper and lower pitting head portions, as was the case with the Type C and Type D machines of plaintiff and with the pitting machine of the prior art Whitman patent. However, while the cam for the lower pitting head portion of defendant's machines serves the operative function of moving the

coring knives upwardly to engage the olive pits, it does not serve any operative function while the upper and lower knives, with pit engaged between them, are conjointly moved downwardly during the actual pitting operation.

During this actual pitting operation defendant's machines are in effect single cam machines, and, in this respect, they resemble somewhat more closely in their inter-related structure and manner of operation plaintiff's Type B machine than do plaintiff's Type C and Type D machines. During this "single cam" mode of operation of defendant's machines during the actual pitting operation, the defendant utilizes the force of inertia to press the coring knife against the pit, whereas during the actual pitting operation plaintiff's Type B machine utilized the additive factors of coring knife spring pressure and the force of inertia to press the coring knife against the pit.

The substitution of such as the force of gravity or the force of inertia for the force of a spring, and here there was only a partial substitution in the sense that plaintiff's spring plus inertia force was replaced by the force of inertia alone, when, as here, the one substituted for the other accomplishes the same result in substantially the same way amounts to what has long been regarded as the substitution of one typical equivalent for another.

Plaintiff's Type C and Type D machines also utilize the additive factors of coring knife spring pressure and the force of inertia to press the coring knife against the pit during the actual pitting operation, i.e., pit removal operation.

The defendant's pitting machines each amount to a combination and arrangement of mechanism which produces the same effect and in substantially the same way as the combination and arrangement of the mechanism of Claim 11, and defendant's pitting machines are infringements of Claim 11.

The mode of operation of defendant's pitting machines is substantially the same as the mode of operation of plaintiff's machines, both the Type B, Type C and Type D types, covered by

Claim 11, said mode of operation being that of the dual reciprocative motion described by the Court in Finding 19 as characterizing the advance made in the art by '736 and Claim 11 thereof.

25. Claim 5 of '736 has been withdrawn. Claim 5 has no effect on Claim 11.

26. Defendant has pleaded the defense of misuse based upon the admitted facts that the '736 patent expires on September 3, 1963; that plaintiff leases its machines covered by said patent only for a term of three years; that many of its leases entered into before expiration of the '736 patent do not expire until after September 3, 1963.

Upon these facts and others stipulated to, this Court in its opinion dated January 22, 1963, and reported at 136 USPQ 339, denied a motion for summary judgment brought by defendant seeking dismissal of the complaint upon the ground of misuse because such facts did not, in the opinion of this Court, show that the '736 patent itself significantly contributes to the 3 year leasing practice of plaintiff. In other words, this Court viewed plaintiff's three year leasing practice to be lawful per se and to be independent of and apart from the '736 patent and from relief for infringement thereof sought by plaintiff. Such motion was denied without prejudice to defendant's right at the trial to prove that there is a significant relationship between the '736 patent and plaintiff's leasing practice.

At the trial of this case such additional proof of defendant as has been received in evidence does not in the opinion of this Court, show a significant relationship between the '736 patent and plaintiff's leasing practice sufficient to sustain defendant's position that plaintiff's leasing practice is being used to extend the monopoly of the '736 patent.

27. The defendant has failed to establish an unlawful monopoly or violation of any anti-trust laws on the part of the plaintiff.

28. The Court finds that it is neither possible nor practical to separate the parts from the whole of the overall Ashlock

olive pitting machine for the purpose of assessing damages on an apportionment basis. Aside from the elements defined in Claim 11 as constituting the subject matter thereof, an overall Ashlock olive pitting machine is further constituted by a feed hopper into which the olives to be pitted are delivered in bulk, a pick-up conveyor which serves the purpose of transferring the olives from the feed hopper to the conveyor recited in Claim 11, and vibrator means associated with the conveyor mentioned in Claim 11 to serve the purpose of causing the olives within the receptacles of the conveyor of Claim 11 to work themselves into the desired pitting position wherein their long axes are disposed essentially vertically. The Court finds that in the absence of any of these further parts of the overall Ashlock olive pitting machine any resulting version of a pitting machine would lack the usefulness of the overall machine in the hands of the Ashlock lessees and thus not be desirable to the lessees from the practical aspect of commercial production use. Mr. Margaroli's testimony was to the effect that none of the plaintiff's lessees had ever to his knowledge requested the lease of less than an entire olive pitting machine of the plaintiff or of the plaintiff's predecessors.

29. The Court finds that the defendant had one infringing machine under lease for the 1961-1962 olive pitting season and that the defendant had six infringing machines under lease during the 1962-1963 olive pitting season. and that the total rental income obtained by the defendant from the lessees of these seven machines during the two olive pitting seasons amounted to $37,988.92.

30. The Court finds that $37,988.92 is a reasonable royalty for the defendant to pay to the plaintiff for the use of said infringing machines during the 1961-1962 and 1962-1963 olive pitting seasons.

31. Patent No. 3,406,736 expired on September 3, 1963.

32. The 1963-1964 olive pitting season did not commence until September 1, 1963, which date, for all practical purposes, is after the expiration date of plaintiff's patent 2,406,736.

33. The one infringing machine of defendant which was under lease for the 1961-1962 olive pitting season is no longer in existence. The six aforesaid infringing machines of defendant which were under lease for the 1962-1963 olive pitting season are still under lease for the 1963-1964 and 1964-1965 olive pitting seasons.

34. Prior to the date of expiration of '736 the defendant was engaged in the process of constructing five additional olive pitting machines, each of which has been placed on a three year lease commencing with the 1963-1964 olive pitting season (September 1, 1963 through May 2, 1964) and, hence, for all practical purposes, these five additional machines will be placed out in use under lease after the expiration of patent '736.

35. The sum of $37,988.92 which is to be awarded plaintiff as the reasonable royalty measure of damages for the one infringing olive pitting machine of the defendant used during the 1961-1962 olive pitting season and for the six infringing olive pitting machines of the defendant used during the 1962-1963 olive pitting season is adequate compensation for the infringing manufacture, lease and use thereof, and plaintiff is not entitled to further damages for the use of the six still existing machines after the expiration date of the patent, September 3, 1963, and, hence, the plaintiff is not entitled to further damages for the lease and use of these machines for the 1963-1964 olive pitting season or any olive pitting season thereafter.

36. The plaintiff is entitled to nominal compensatory damages for the five infringing machines which were in the process of manufacture by the defendant before the expiration date of '736 for use under lease at least for the 1963-1964 olive pitting season and thereafter, said nominal compensatory damages to be in the sum of $500.00 for each of said five machines.

37. Plaintiff is entitled to interest against the defendant on the sum of $37,988.92, said interest to commence as of May

2, 1963 and to continue until said principal sum is paid, said interest to be at the rate of 7% per annum.

38. The record fails to fix a date when royalties ought to be due, and in the absence thereof the terminating date of the 1962-1963 olive pitting season, May 2, 1963 has been fixed by the Court as an established date when such royalties ought to have been paid in full.

39. The defendant has not been and is not a willful infringer of patent '736.

40. This cause was consolidated for trial with and was tried along with Cause No. 41,029 in this Court, and judgment was entered in favor of the defendant in Cause No. 41,029.

Conclusions of Law

1. Claim 11 of Ashlock patent No. 2,406,736 is valid and has been infringed by the olive pitting machines of the defendant.

2. The date of the making of the invention of patent No. 2,406,736 and of the making of the invention as defined by Claim 11 of said patent is a date between September 30, 1943 and November 13, 1943.

3. Claim 11 is entitled to the benefit of the filing date, March 31, 1944, of the application for '736.

4. There is and there has been no misuse of plaintiff's patent '736.

5. There is and there has been no unlawful monopoly or violation of any antitrust laws on the part of the plaintiff.

6. The defendant has failed to establish the proof required of it under its burden of proof to render invalid Claim 11 of '736.

7. The defendant has failed to sustain the burden of proof required of it to establish a misuse of plaintiff's patent '736.

8. The defendant has failed to sustain the burden of proof required of it to establish an unlawful monopoly or violation of any anti-trust laws on the part of the plaintiff.

9. The plaintiff is entitled to damages in the sum of $40,488.72 with interest on $37,988.92 thereof, said interest to commence as of May 2, 1963 and to continue until paid at the rate 7% per annum.

10. Each side is to bear its own costs.

11. Judgment shall be entered accordingly in favor of plaintiff.

Appendix B

Judgment of Court of Appeals

United States Court of Appeals
for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Appellee.

Appeal from the United States District Court for the Northern District of California, Southern Division.

This Cause came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California, Southern Division, and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is reversed and remanded for a new trial on the issue of damages, with costs in this court in favor of the appellant and against the appellee.

It Is Further Ordered and Adjudged by this Court that the appellant recover against the appellee for its costs herein expended and have execution therefor.

COSTS:	DOCKET FEE	$25.00
	Total costs:	$25.00

Filed and entered December 15, 1964

Appendix C

Opinion of Court of Appeals

United States Court of Appeals
for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Appellee.

[December 15, 1964]

Appeal from the United States District Court
for the Northern District of California

Before: HAMLIN and MERRILL, Circuit Judges, and
BASTIAN, Circuit Judge, sitting by designation

BASTIAN, Circuit Judge:

This is an appeal from a judgment of the District Court in an infringement suit. Plaintiff in the District Court (appellee here) alleged that Claims 5 and 11 of Patent 2,406,736, granted to plaintiff's predecessor in interest for a machine for the automatic high speed pitting of olives, had been infringed. Defendant denied infringement, claimed among other things invalidity of the claims, and urged that the patent was unenforceable because of misuse thereof. At the trial, Claim 5 was withdrawn from issue.

After a lengthy trial, the District Court entered extensive findings of fact and concluded that Claim 11 was valid, had

been infringed, and awarded damages. *Geo. W. Ashlock Co. v. Atlas-Pacific Engineering Co.*, 225 F. Supp. 205.

Our examination of the record convinces us that there is warrant in the record for all the findings and conclusions of the trial court with respect to the substantive claims of and defenses to infringement, but this is not dispositive of the case.[1]

In findings of fact 29 and 30, the trial court found that Atlas' *total* income from rental of the infringing machines was $37,988.92, and that this amount was "a reasonable royalty for the defendant to pay to the plaintiff for the use of said infringing machines." With this we cannot agree, though we do not mean to say that $37,988.92 might not be reasonable as a total sum of damages.[2]

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1. The recent Supreme Court decision in *Brulotte v. Thys*, decided November 16, 1964, does not require a different result. There the Court upheld a defense of misuse and reversed the judgment of the Supreme Court of Washington "insofar as it allows royalties to be collected which accrued after the last of the patents incorporated into the machines had expired." Slip Op. 2. The misuse in *Brulotte* was found in royalty agreements which extended beyond the expiration date of the patents involved and the Court remarked that under the circumstances "the licensor was using the licenses to project his monopoly beyond the patent period," slip op. 3, and the Court held that royalties based on post-expiration use were illegal *per se*. *Brulotte* is not applicable in the instant case for two reasons. First, the damages awarded were specifically restricted to the period during which the patent was valid, see Findings of Fact 30 through 36, 225 F. Supp. at 220-21, and presumably at the new trial no damages will be allowed for any post-expiration period. Just as in *Brulotte* where the patentee-licensor could not collect royalties from its licensees for post-expiration use, here appellant, a third-party infringer, is not liable for damages for any post-expiration use. There can be no infringement after a patent has expired. Second, the trial court specifically considered and rejected the defense of misuse, finding that the "evidence does not . . . show a significant relationship between the '736 patent and plaintiff's leasing practice sufficient to sustain defendant's position that plaintiff's leasing practice is being used to extend the monopoly of the '736 patent." Finding of Fact 26, 225 F. Supp. at 220.

2. The total award was $40,488.92, consisting of the $37,988.92 attributable to six infringing machines actually used under lease from Atlas, plus $2,500.00 for five machines still in the process of manufacture. We deal only with the former as no error appears with respect to the latter.

Under 35 U.S.C. § 284[3] the court is directed, upon finding for the plaintiff upon the merits of the infringement claim, to award damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty." Our independent examination[4] of a number of cases, which are not at all uniform, reveals that there is a variety of possible elements of damages for patent infringement, such as the profits made by the infringer,[5] the actual damage to the patentee, such as loss of sales, especially if such damage exceeds the infringer's profit,[6] or a reasonable royalty, if one can be shown.[7]

The only evidence tending to show anything with respect to the amount of a royalty is Ashlock's letter to its lessees reducing the rental rate for its machines from 1½¢ per pound of pitted

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3. "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances. July 19, 1952, c. 950, § 1, 66 Stat. 813."

4. Appellee's brief did not reply to appellant's argument on the measure of damages, and appellee's counsel did not reach the point in oral argument.

5. *Zysset v. Popeil Bros.*, 318 F.2d 701 (7th Cir. 1963); *Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959); *Mason City Tent & Awning Co. v. Clapper*, 144 F. Supp. 754 (W.D.Mo. 1956); and see *International Industries v. Warren Petroleum Corp.*, 248 F.2d 696 (3rd Cir. 1957), *cert. dismissed*, 355 U.S. 943 (1958).

6. *Birdsall v. Coolidge*, 93 U.S. 64 (1876); *Eversharp, Inc. v. Fisher Pen Co.*, 204 F.Supp. 649 (N.D.Ill. 1961); *Wilson v. Muench-Kreuzer Candle Co.*, 143 F. Supp. 648 (S.D.Cal. 1956), *rev'd on other grounds*, 246 F.2d 624 (9th Cir.), *cert. denied*, 355 U.S. 882 (1957).

7. Appellant also argues that the damages should be apportioned, inasmuch as the patent covers only about twenty-five per cent of the olive pitting machine. We agree with Finding of Fact 28 that this is neither possible nor practical.

olives to 1¼¢, and attributing the reduction to the expiration of the patent. This ¼¢ per pound reduction may have been due only to the competition to be faced by Ashlock after its patent monopoly ended, but equally it could have represented Ashlock's valuation of the worth of the patent (*i.e.*, the royalty included in the rental). The total rental income acquired by Atlas was derived from a rental charge of 1¼¢ per pound of pitted olives, an amount five times as great as the ¼¢ per pound reduction made by Ashlock. With no other evidence to show a royalty value, the award, if based solely on the criterion of reasonable royalty, seems excessive.[8]

However, as pointed out, the award need not be limited to a reasonable royalty. Ashlock may ask for whatever damages it incurred because of Atlas' infringement and although the profits made by Atlas—not its total rental but its net profit after allowable expense are deducted—are not recoverable as such, they may provide evident of an element of Ashlock's damages (i.e., the loss of profits to Ashlock). See *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958), and the persuasive reasoning of four of the five majority justices in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 502-514 (1964).

In any event, since Findings of Fact 29 and 30 must be taken at face value, with the result that the $37,988.92 award was based solely on the criterion of reasonable royalty, then, as we have said, it is excessive and clearly erroneous. Therefore, we must reverse and remand for a new trial restricted to the issue of damages. In so doing, we do not intend to lay down a broader rule of the case than that, based on the record before us and the

8. The statute, 35 U.S.C. §284, permits the court to increase the assessed damages up to three times the amount found, but there is no indication that this was done in this case. Further, since the findings reflect nothing but good faith on Atlas' part, increasing the damages would hardly seem justified.

findings of the court, the award of damages, measured as it is by the reasonable royalty concept, is excessive. Nor do we intend to lay down a rule as to what damages may be proved at the new trial. Also, we think that the issue of the measure of damages should be argued before the trial court, which will have the evidence of damages introduced at the new trial available to it. This will also restore to Ashlock its opportunity to assist the court by presenting its view of the proper measure of damages.

Reversed and remanded for a new trial on the issue of damages.

Appendix D

Petition for Rehearing on Question of Apportionment

In the United States Court of Appeals for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Appellee.

PETITION FOR REHEARING

Atlas-Pacific Engineering Company, Appellant herein, respectfully petitions this Court for a rehearing regarding the question of apportionment of damages. The grounds that will be relied upon (and which will be amplified in a brief if this petition is granted and if this Court so desires), are as follows:

1. The Court of Appeals in its opinion in footnote 7 at page 3 of the Slip Opinon said:

> "Appellant also argues that the damages should be apportioned, inasmuch as the patent covers only about twenty-five per cent of the olive pitting machine. We agree with Finding of Fact 28 that this is neither possible nor practical."

2. It is respectfully submitted that, for reasons which are briefly summarized below, the denial of the right to apportionment of damages is contrary to a line of Supreme Court cases which strictly limit the scope and duration of the patent monopoly, such line of cases culminating in *Brulotte v. Thys Co.*, ... U.S. .

....., 85 S.Ct. 176, decided November 16, 1964 (after this appeal was argued and submitted); and that such denial of the right to apportionment has the effect of prolonging the monopoly of expired and invalid patents.

3. Appellant's Opening Brief argued the matter of apportionment on substantially the same ground as stated below (see pages 45 and 46 of Appellant's Opening Brief). Appellee did not respond to this argument nor was the matter argued at the hearing (see footnote 4 on page 3 of the Slip Opinion). The later *Brulotte* case brings the matter of apportionment into sharp focus.

4. In *Brulotte,* an attack was made on a license agreement under which royalties were required for the use of patented machines after expiration of the applicable patents. The Supreme Court held:

> "... : that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se.*" (..... U.S. ....., 85 S.Ct. 179)

The reasons for this holding are amplified in the Court's opinion where, at ..... U.S. ....., 85 S.Ct. 178, the Court quoted from *Scott Paper Co. v. Marcalus Manufacturing Co.,* 326 U.S. 249, 256, 66 S.Ct. 101, 104 as follows:

> "... any attempted reservation or continuation in the patentee or those claiming under him, of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and the purpose of the patent laws."

Also at ..... U.S. ....., 85 S.Ct. 179, 180:

> "The exaction of royalties for use of a machine after a patent has expired is an assertion of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain. We share the view of the Court of Appeals in Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 3 Cir., 302 F.2d. 496, 510, that after expiration of the

> last of the patents incorporated in the machines 'the grant of patent monopoly was spent' and that an attempt to project it into another term by continuation of the licensing agreement is unenforceable."

5. In the present case, all but two of the applicable patents had expired long prior to accrual of the cause of action; one of these two applicable patents was held invalid in this same litigation; and only one valid, unexpired patent remained.

The undisputed factual situation is as follows: As set forth in the patent in suit, No. 2,406,736, Pl's Exh. 2, column 2, lines 32 to 43, the straightening mechanism (a component of the patented Ashlock machine) was that of Ashlock patent 2,250,518, which expired in 1958; the conveyor construction was that of Ashlock patent 2,271,675, which expired in 1959; and the pitting plunger mechanism was that of Ashlock patent 2,219,832, which expired in 1957. Each of these patents expired before Atlas had built an olive pitting machine. Each of these expired patents covered an important functional part of the leased Ashlock machine. Additionally, there was one other patent applicable to the Ashlock machine, to wit Patent No. 2,589,324 (Pl's Exh. 4) on some of the cups which hold the olives while they are being pitted. That patent was sued on with patent No. 2,406,736 but was held invalid.

6. As stated by the Supreme Court in *Scott Paper Co. v. Marcalus,* 326 U.S. 249, 255, 66 S.Ct. 101, 104:

> "The aim of the patent laws is not only that members of the public shall be free to manufacture the product or employ the process disclosed by the expired patent, but also that *the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures.*" (Emphasis added)

7. The plaintiff Ashlock has acknowledged, by its rate reduction letter to lessees reducing the rental rate in the amount of ¼

cent per pound, and by attributing that rate reduction to the expiration of patent 2,406,736, that when a patent expires *something must pass to the public.* Note this Court's reference to the Ashlock rate reduction letter at page 3 of the Slip Opinion.

8. We have in this case a situation where five patents are applicable to a machine, three of them have expired, one was held invalid in the subject litigation and only one has been held valid and infringed. Yet if apportionment is denied, "the consuming public at large will not receive the benefits of the unrestricted exploitation by others" [e.g., by Atlas] of the disclosures of the four expired or invalid patents (*Scott v. Marcalus,* supra), because the infringer (Atlas) will have been required to pay *the same damages for infringement of a single patent as if all five patents were in force and had been held valid and infringed.*

Respectfully submitted,

EDWARD B. GREGG
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GREGG AND STIDHAM

By EDWARD B. GREGG
Attorneys for Appellant

Appendix E

Order on Petition of Amicus Curiae

In the United States Court of Appeals for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Appellee.

Filed. Mar. 10, 1965

Frank H. Schmid, Clerk

ORDER ON PETITIONS FOR REHEARING

On consideration of the petition of amicus curiae to revise the opinion of December 15, 1964, the court being of the view that the language of certain portions of the opinion may be amended so as to avoid possible misinterpretation of the holding of the court, it is

Ordered that the parenthetical phrase "(on equitable principles)" appearing in line 4 on page 3 of the printed opinion be, and it is hereby deleted, and it is

Further Ordered that the first full paragraph appearing on page 4 of the printed opinion be, and it is hereby deleted, and the following paragraph be, and it is hereby substituted therefor:

"However, as pointed out, the award need not be limited to a reasonable royalty. Ashlock may ask for whatever dam-

ages it incurred because of Atlas' infringement and, although the profits made by Atlas—not its total rental but its net profit after allowable expenses are deducted—are not recoverable as such, they may provide evidence of an element of Ashlock's damages (*i.e.*, the loss of profits to Ashlock). See *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958), and the persuasive reasoning of four of the five majority justices in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 502-514 (1964)."

It Is Further Ordered that appellant's petition for rehearing is denied.

/s/ WALTER M. BASTIAN
/s/ O. D. HAMLIN
/s/ CHARLES MERRILL
U. S. Circuit Judges

Appendix F

Order Denying Petition for Rehearing on Question of Apportionment

United States Court of Appeals for the Ninth Circuit

Excerpt from Proceedings of Wednesday, March 10, 1965

Before: Hamlin and Merrill, Circuit Judges, and Bastian, Circuit Judge, sitting by designation

ORDER DENYING PETITION FOR REHEARING

On consideration thereof, and by direction of the Court, It Is Ordered that the petition of appellant filed January 12, 1965, and within time allowed therefor by rule of court, for a rehearing of above cause be, and hereby is denied.

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1965

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

PRELIMINARY STATEMENT

In this brief we will refer to pages in the brief and petition of the Petitioner as "P.B._____" and to pages in the appendix to the petition and brief of the Petitioner as "P.A._____".

CITATION OF FURTHER OPINION BELOW

In denying Petitioner's motion for summary judgment based upon the single issue of misuse of Respondent's patent in suit, 2,406,736, the District Court entered an opinion prior to the opinion set forth at P.A. 1-31. This earlier opinion is not officially reported but is unofficially reported at 136 USPQ 339, a copy of which is appended hereto as Appendix I.

JURISDICTION

The jurisdictional requisites are adequately set forth in the petition at P.B. 2.

QUESTIONS PRESENTED

The questions presented by the Petitioner are inappropriate under the true facts of this case. Contrary to Rule 23(1)(c) of this Court, the questions presented for review are not expressed in the terms and circumstances of the case. Also, Petitioner, contrary to Rule 23(4) of this Court, has failed to present with accuracy matters which are essential to a ready and adequate understanding of the points which, the Petitioner urges, require consideration.

Thus, Question No. 1 implicitly indicates that Respondent's patent in suit, 2,406,736, which expired on September 3, 1963, was the last valid patent covering Respondent's leased machines. In fact, the last valid patent covering Respondent's leased olive pitting machines is 2,589,324. This patent will not expire until March 18, 1969, a date

which is in excess of three years after the last termination date of the leases in question (P.B. 13), i.e., Respondent's olive pitting machine leases which terminate after the expiration date of 2,406,736 and which are therefore alleged by Petitioner to amount to an extension of the life of 2,406,736 by lease contract.

Also, Question No. 1 refers to Respondent's leases as being "long term" in nature. Respondent's leases of its olive pitting machines are for three year terms. Petitioner's leases of its olive pitting machines are likewise for three year terms. It is common practice in the fruit processing business for the packers or canners to lease much of the processing machinery they require, and a three year lease term is prevalent in this practice.

Question No. 2 implicitly indicates that at the time of alleged infringement, i.e., prior to September 3, 1963, all but one of the valid patents on Respondent's olive pitting machines had expired. However, just prior to that date Respondent had three valid and unexpired patents relating to and covering its leased olive pitting machines. Aside from the patent in suit, 2,406,736, and the above-mentioned 2,589,324, there was a method patent, 2,407,126, which also expired on September 3, 1963, and which covered a pitting method which was practiced by the use of Respondent's olive pitting machines covered by 2,406,736.

Both Question No. 3 and Question No. 4 implicitly represent that the District Court did not make a finding, pursuant to 35 U.S.C. § 112, based upon evidence that Petitioner used a different but mechanically equivalent structure with reference to the "means" clause of Claim

11 of the patent in suit. However, such a finding was made by the District Court.

The only appropriate question presented with reference to patent misuse here is as follows: is the owner of fruit processing equipment which is covered by patents A and B and which is leased for a three year term, a term which is typical and prevalent in the fruit processing equipment business, to be prevented from enforcing patent A when (1) the time terms of the outstanding leases bridge the expiration date of patent A but fall short of the expiration date of patent B and (2) the leases contain no representations that the leased equipment is covered by patents, no promise that the lessee will be protected from competition by infringing machines, and no indication that the rental payments contain any patent royalty component?

It is respectfully submitted that such a question is not of sufficient moment, with reference to the criteria of Rule 19 of this Court, to warrant review by the Court.

The fact matters referred to in this section of this brief will be developed more specifically in the next section of this brief.

STATEMENT OF THE CASE

As to Misuse

Respondent, as plaintiff, brought suit on March 15, 1962, against Petitioner, as defendant, for infringement of 2,406,736 (Pl's Exh. 2, Vol. 17, p. 1)[1] which relates to and

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[1]Volume references are to the record as filed with this Court by the Clerk of the Court of Appeals.

covers a machine for pitting olives (Joint Pre-Trial Order, Vol. 1, p. 83, paragraph 3).

On September 17, 1962, Respondent, as plaintiff, brought suit against Petitioner, as defendant, for infringement of 2,589,324 (Pl's Exh. 4, Vol. 17, p. 2) which relates to and covers cups or chucks for orienting olives into position to be pitted and for holding the olives while they are being pitted in an olive pitting machine (Joint Pre-Trial Order, Vol. 1, p. 83, paragraph 4).

Each suit alleged infringement of each of the two patents because of the manufacture and lease by Petitioner of seven olive pitting machines (Joint Pre-Trial Order, Vol. 1, p. 84, paragraph 12). The two suits were consolidated for trial (Joint Pre-Trial Order, Vol. 1, p. 83, paragraph 2).

Patent 2,589,324 (Pl's Exh. 4, Vol. 17, p. 2) contains four claims asserted by Respondent before the District Court as affording patent coverage as to two of the three sets of olive holding cups or chucks interchangeably employed by Respondent's lessees on Respondent's olive pitting machines (Joint Pre-Trial Order, Vol. 1, p. 90, paragraph 30) (Affidavit, Vol. 1, p. 33, 1st paragraph).

Of the four claims of 2,589,324, only Claims 1 and 3 were involved in the suit for infringement against Petitioner. Claims 1 and 3 were held by the District Court to be invalid and no appeal from this holding was taken by Respondent (Appendix II hereto, an excerpt from page 39 of Petitioner's opening brief on appeal to the Court of Appeals, said brief page having been certified by the Clerk of the Court of Appeals and forwarded to the Clerk of this Court).

Thus, Claims 2 and 4 of 2,589,324 remain to afford patent coverage on Respondent's olive pitting machines, and Claims 2 and 4 will not expire until March 18, 1969 (Joint Pre-Trial Order, Vol. 1, pp. 84-85, paragraph 13), a date which is more than three years after the expiration date of the last to expire of Respondent's leases (P.B. 13) which bridge the September 3, 1963, expiration date of 2,406,736.

Patent No. 2,589,324 is set forth on the patent notice plates which are attached to Respondent's olive pitting machines (Joint Pre-Trial Order, Vol. 1, p. 90, paragraph 29).

In addition to 2,406,736 and 2,589,324, Respondent owned a further patent, 2,407,126 (Pl's Exh. 8, Vol. 17, p. 3) which related to and afforded coverage with respect to a pitting method employed in the use of Respondent's olive pitting machines (P.B. 13). No suit was brought by Respondent against Petitioner for infringement of 2,407,126. Like 2,406,736, 2,407,126 expired on September 3, 1963 (P.B. 13).

In the fruit processing business the packers and canners prefer to lease rather than purchase processing machinery (Letter, Pl's Exh. 87, Vol. 17, p. 50). The most prevalent lease term is 3 years (Appendix I, p. x) (Vol. 14, pp. 1670-1674).

Respondent has never leased any of its olive pitting machines for a period of less than three years and it has never sold any such machine. Prior to 1955 Respondent leased its machines for a period of five years, but since 1955 Respondent's practice has been to lease for a period of three years. In 1959 one of Respondent's lessees re-

quested a five year term lease as to two machines and was given a lease on this basis by Respondent (Appendix I, paragraph 21, p. viii).

Petitioner likewise leases its olive pitting machines for three year terms (Appendix I, p. viii).

The evidence is as follows with respect to Respondent's patents 2,406,736, 2,407,126 and 2,589,324 and Respondent's leasing policy and practice: Respondent's olive pitting machines bear the numbers of each of these three patents; none of Respondent's lessees ever made mention to Respondent as to any one of these three patents; none of Respondent's lessees ever requested that Respondent lease to it an olive pitting machine which was covered by less than these three patents; Respondent has never refused to lease an olive pitting machine and component parts which are covered by less than each of these three patents; and Respondent is not in the business of licensing these three patents but is instead in the business of building and leasing for use olive pitting equipment for the olive packing industry (Affidavit, Vol. 1, pp. 33-34).

The evidence further shows the following with reference to the matter of patents on the one hand and Respondent's leasing policy and practice on the other hand: Respondent obligates itself to assume the defense of any suit for patent infringement based upon the use by its lessees of the equipment leased from Respondent (Lease Form, Def's Exh. AE, Vol. 17, p. 66); Petitioner stipulated to the fact that Respondent's leases contain no promise by Respondent to its lessees to protect the lessees from competition by competitors who used machines which infringed a patent of Respondent's (Vol. 10, p. 1113); under date of

July 5, 1962, Respondent wrote to all of its olive pitting machine lessees a letter (Pl's Exh. 22, Vol. 17, p. 14) to advise them that the rental rate was to be reduced as of September 3, 1963, from 1½ cents to 1¼ cents per pound of olives pitted and that the guaranteed annual minimum rental requirement was to be reduced from $3,750.00 to $3,500.00 (the new rate and the new minimum rental were identical to the rate and minimum rental charged by Petitioner) (Petitioner's Lease, Pl's Exh. 88, Vol. 17, p. 51) for technical reasons having to do with the expiration on September 3, 1963, of one (both 2,406,736 and 2,407,126 expired on that date) of Respondent's patents, and the July 5th letter went on to state to the lessees that the reduced rate and reduced minimum would be accepted by Respondent during the year preceding September 3, 1963, as full payment for the lessees' lease obligations so that they would not feel that they were operating at a rental rate disadvantage in comparison with any other olive pitting equipment, i.e., that of Petitioner, available for leasing; until sometime prior to trial before the District Court Respondent's lease form (Def's Exh. QQ, Vol. 17, p. 61, paragraph 14) called for the acknowledgement by the lessees of the validity of all of Respondent's patents, whether or not they related to olive pitters (Respondent makes and leases a number of types of fruit processing equipment other than olive pitters; Vol. 14, pp. 1673-1674), acquired by Respondent before or during the term of the lease agreement, and the lessee was required to refrain from contesting the validity of any such patent as long as it was in force and irrespective of whether or not the lease agreement was in force; sometime prior to trial before the District Court this acknowledg-

ment of validity clause was modified (Rider to Lease, Def's Exh. AE, Vol. 17, p. 66) to limit it to patents covering or relating to the leased machines and to further limit it to the term, or any renewal of, the lease; Respondent's lease form provides (Def's Exh. AE, Vol. 17, p. 66, paragraph 11) that Respondent has the option to intervene in and conduct the defense of any suit or proceeding against the lessee which affects any patents involving the leased equipment; and Petitioner represented to the District Court during the trial of the suit for infringement of 2,589,324 that the patent number marking plate applied by Respondent to the various types of fruit processing equipment leased by it contained the numbers of twenty-two of Respondent's patents, only three of which related to Respondent's olive pitting machines.

The evidence is as follows with reference to the matter of Respondent's leased olive pitting machines on the one hand and Respondent's leasing policy and practice on the other hand: that all of Respondent's olive pitting machines are fully owned by Respondent (Affidavit, Vol. 1, p. 33); that Respondent's lessees have not objected to multiple year leases of its olive pitting machines (Affidavit, Vol. 1, p. 34); that the insurance coverage on Respondent's leased olive pitting machines is carried by and paid for by Respondent (Lease Form, Def's Exh. AE, Vol. 17, p. 66, paragraph 7) (Vol. 14, p. 1620); that Respondent's olive pitting machines are fully overhauled on the average every two and one-half years at an average out of pocket expense to Respondent of $1,400.00 per machine overhaul, that after being so overhauled the machines are equal to brand new machines, that if improvements are made in Respondent's olive pitting machines such improvements

are incorporated into particular machines when the latter are returned to Respondent's plant for overhauling (Vol. 10, pp. 1120-1122); and that all of Respondent's olive pitting machines which were under leases, the terms of which extended beyond the expiration date of 2,406,736, were recapitalized on June 15, 1960, when Geo. W. Ashlock Company, a Delaware corporation, acquired by purchase its predecessor in interest, Geo. W. Ashlock Company, a California corporation, and that on the new capitalization basis none of Respondent's olive pitting machines will be fully amortized until after the expiration of all of those leases which bridge the expiration date of 2,406,736 (Pl's Exh. 18, Vol. 17, p. 11) (Vol. 14, p. 1629).

In the suit against Petitioner for infringement of 2,589,324, Petitioner raised a misuse defense which it explained to the District Court as follows:

> "In the second suit, I don't know that Your Honor is acquainted with our position with respect to misuse on that, the second suit and the second, or chuck patent, that patent does not expire for a period of several years. We don't have the same problem. Our position on that is simply this. There is an illegal tie-in. The plaintiff, in effect, says you can use my chucks only if you take my machine, and we believe under the Ninth Circuit cases that constitutes a tie-in, not necessarily an infraction of the anti-trust laws, but nevertheless, an infraction or misuse." (Vol. 2, pp. 72-73)

Finding of Fact 28 (P.A. 27-28) states in part as follows:

> "Mr. Margaroli's (Mr. Margaroli is a vice-president and the business manager of Respondent, Vol. 6, p.

575 testimony was to the effect that none of the plaintiff's lessees had ever to his knowledge requested the lease of less than an entire olive pitting machine of the plaintiff or of the plaintiff's predecessors."

Petitioner's vice-president Loveland testified (the subject of the testimony being the propriety of apportionment of damages) as follows with respect to the relationship of the cups, or chucks, of 2,589,324 to the balance of Respondent's olive pitting machine:

> The Court: Have you provided for any cost for any cup?
>
> The Witness: Not for any cup, no.
>
> The Court: How are you going to run this machine without a cup?
>
> The Witness: Well, actually, the conveyor is an old feature of the machine.
>
> The Court: You couldn't use that cup for any other purpose on earth, could you?
>
> The Witness: No, you couldn't (Vol. 15, p. 13).
>
> • • • • • • •
>
> The Court: Can you use this conveyor for anything else?
>
> The Witness: The conveyor for anything else?
>
> The Witness: The conveyor itself is used on their cherry-pitting machine, but not the cup. The conveyor system is basically the same.
>
> The Court: What I am driving at, as far as the lessee is concerned, it is pretty difficult for him to go out and buy the remaining parts, such as the conveyor or anything else, and he finds himself in a position where the cheapest way to do it is to lease the whole machine, and if he were to lease certain aspects of the machine and then go out and buy other

parts or lease other parts, he would probably be faced with greater cost, wouldn't he?

The Witness: That is correct. It is best to lease the package. (Vol. 15, pp. 16-17.)

It was in the light of the foregoing factual background, with reference to the misuse defense in the suit based upon 2,406,736, that the District Court entered Finding of Fact 26 (P.A. 27) to the effect that Respondent's three year leasing policy was lawful per se, that it was independent of and apart from 2,406,736, and from relief for infringement thereof sought by Respondent, thereby, in effect, reaffirming what it had said in an earlier opinion (Appendix I, p. xi) denying Petitioner's motion for summary judgment of misuse, i.e.:

"In the instant case there is nothing to indicate that the patent itself had any practical relationship with the three year term of the leases or with the fact that some of the leases extend beyond the expiration of the patent. Considerations other than the patent, including plaintiff's prior practice, the practice prevalent in the industry (as manifested in part by the defendant's own three year leasing policy), amortization of cost of machines to plaintiff, the right to overhaul and install improvements on them and other similar considerations may very well have been the factors which prompted plaintiff to adopt a three year basis for all of its leases. Certainly this would be in line with its earlier history going back to 1946".

As to Apportionment of Damages

Apportionment of damages is the subject to which the second question presented by Petitioner relates. The second question is predicated upon Petitioner's contention

that at the time of infringement all but one of the valid patents on Respondent's machines had expired. Since, as shown above, Respondent had three unexpired and valid patents at the time of Petitioner's infringement of 2,406,736, further treatment of the subject of apportionment will be left to the argument section of this brief.

As to Infringement

Infringement is the subject to which the third and fourth questions presented by Petitioner relate. Essential to each of these questions are two contentions made by Petitioner.

The first contention (P.B. 7-8) is that in the absence of the coring knife spring and its mode of operation the patented machine will not operate to pit olives, reference being had to the testimony of Respondent's vice-president Hesse. However, Mr. Hesse testified at length and in specific detail (Vol. 3, from line 22, p. 133, through line 14, p. 165) that in 1962 test work was conducted in Respondent's plant which clearly established that olives were efficiently and satisfactorily pitted when the coring knife spring was removed and replaced with a spacer element which solidly supported the coring knife. Petitioner's vice-president Loveland and Petitioner's attorney, Mr. Gregg, witnessed some of the test runs of the patented machine, so modified (Vol. 3, from line 10, p. 153, through line 4, p. 160).

The second contention in support of Petitioner's third and fourth questions is that no finding was made that Petitioner's structure employs an equivalent of Respondent's coring knife spring, i.e., "means for then moving

said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate." However, such a finding was made by the District Court (Finding of Fact 24, from line 28, P.A. 25, through line 22, P.A. 26). The key portion of that finding reads as follows:

> "The substitution of such as the force of gravity or the force of inertia for the force of a spring, and here there was only a partial substitution in the sense that plaintiff's spring plus inertia force was replaced by the force of inertia alone, when as here, the one substituted for the other accomplishes the same result in substantially the same way amounts to what has long been regarded as the substitution of one typical equivalent for another."

ARGUMENT

The petition for writ of certiorari should be denied, the decision of the Court of Appeals affirming that of the District Court being proper and just and in full harmony with all previous decisions of this Court, there being no important question of federal law presented to this Court, and there being no conflict between the decision of the Court below and any decision of another Court of Appeals.

RESPONDENT'S LEASING PRACTICE DOES NOT RUN COUNTER TO THE POLICY AND PURPOSE OF THE PATENT LAWS

In *Brulotte v. Thys Co.*, —— U.S. ——, 13 L.Ed.2d 99, 85 S.Ct. 176, this Court quoted with approval the fol-

lowing language from *Scott Paper Co. v. Marcalus Co.*, 326 U.S. 249, 256:

> "* * * * any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws."

The existence of Respondent's patent 2,589,324 (Claims 2 and 4 of this patent are valid, are incorporated into Respondent's leased machines, and will not expire until 1969) prevents the grant of those three year leases which bridged the expiration date, September 3, 1963, of 2,406,736 from running counter to the policy and purpose of the patent laws because the term of each lease is completely contained within the term of a patent.

BRULOTTE v. THYS IS CLEARLY DISTINGUISHABLE FROM THIS CASE AND WAS NOT MISINTERPRETED BY THE COURT OF APPEALS

In *Brulotte* the machines in question were sold to the petitioners and the use of the machines was licensed under a seventeen year royalty agreement which listed the twelve patents licensed.

Here, the machines in question are owned outright by Respondent, and are leased for three year terms which is the prevalent industry practice. The leases do not purport to be patent licenses (no patents are listed in the leases) and the rentals do not purport to be royalties. The leases contain acknowledgement of patent validity clauses and the machines bear patent marking plates listing the numbers of twenty-two patents, only three of which re-

late to and cover the olive pitting machines, but the validity clauses taken together with the marking plates do not convert the leases into patent licenses.

Respondent at its own expense periodically repairs, maintains, improves and insures its olive pitters.

In *Brulotte*, all seven of the patents incorporated into the machines had expired when the respondent sought to enforce royalty payments under the contracts.

Here, when Respondent sought to enforce its rights under 2,406,736, that patent, as well as 2,407,126 and 2,589,324, was unexpired.

The Court below correctly interpreted (footnote 1, P.A. 34) *Brulotte v. Thys Co.*, —— U.S. ——, 13 L.Ed.2d 99, 85 S.Ct. 176.

The Court below observed, correctly, that the District Court awarded damages restricted to the pre-expiration period of 2,406,736 and that this Court in *Brulotte* permitted the respondent to collect royalties which accrued before the last of the patents incorporated into the machines had expired.

Petitioner argues that a refusal of apportionment by the Court of Appeals flies in the face of the rationale of *Brulotte*. This is not so.

The rationale of *Brulotte* is not what Petitioner says it is at P.B. 17, but is rather: when the last of a number of patents incorporated into a machine expires, the patent owner cannot obtain royalties or damages for a period after the date of expiration of the last patent. This rationale of *Brulotte* is fully compatible with a refusal of apportionment, as the Court below perceived.

Petitioner argues that the Court of Appeals' second distinction over *Brulotte,* that there was no significant relationship between the patent in suit and Respondent's leasing practice, is not a valid distinction because: Respondent's leases contained an acknowledgement of validity of patents clause; and Respondent sought post-expiration injunctive relief and post-expiration damages (which were refused by the District Court).

When the Courts below held that the relationship between Respondent's three year leasing policy and its patent was not "significant" what they meant was that the leasing practice was not being used to extend the monopoly of 2,406,736 (footnote 1, P.A. 34) (Finding of Fact 26, P.A. 27).

PETITIONER'S POSITION AS TO MISUSE IS ANOMALOUS IN VIEW OF 35 U.S.C. §271(d)

At P.B. 21, Petitioner states that it is not necessary to decide, and that Petitioner does not ask the Court to decide, that long term leases are illegal per se. Petitioner's position that 2,406,736 has been misused is therefore anomalous in view of 35 U.S.C. §271(d) which reads in pertinent part as follows:

> "No patent owner entitled to relief for infringement * * * of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done * * * the following: * * * (3) sought to enforce his patent rights against infringement or contributory infringement."

Further, at P.B. 21 Petitioner asks the Court to determine: whether long term leases entered into before a

lessor's patents have expired and which protect the position of the patentee both before and after his patents have expired, and which exact the same rentals before and after expiration, constitutes the defense of misuse in a suit for infringement of the last remaining valid patent.

That question is not before this Court because: Claims 2 and 4 of 2,589,324 are valid and will not expire until 1969; and Respondent has no lease extending past the expiration date in 1969 of 2,589,324 and so there is no long term lease which exacts the same rentals before and after expiration of 2,589,324.

THERE IS NO CONFLICT IN VIEWS BETWEEN THE THIRD AND NINTH CIRCUITS

At P.B. 19, Petitioner argues that the view of the Courts below (that Respondent's leasing practice was not used to extend the monopoly of 2,406,736) conflicts with the view of the Court of Appeals for the Third Circuit in *F. C. Russell Co. v. Consumers' Insulation Co.*, 226 F.2d 373, 376 (1955), but Respondent respectfully submits that there is no such conflict.

In *Russell* there was involved sales or distributorship agreements in writing wherein patents, including the patent there in suit, were recited as the means whereby the patent owner controlled the manufacture and distribution of its combination storm and screen windows. The distributorship agreements obligated the distributors not to merchandise or offer for sale any goods which would be competitive with appellant's storm and screen windows.

The Court of Appeals held that the obligation not to deal in competitive goods enabled the appellant to enhance the monopoly of the patent in suit and that there was misuse arising out of the relating of the patent in suit to the obligation through the common purpose for each of controlling the manufacture and distribution of appellant's windows.

In the subject case the Court of Appeals held that the three year leases were not related significantly enough to the patent in suit to warrant a finding that the three year leases were designed or used to extend the monopoly of 2,406,736.

NO IMPORTANT QUESTION OF STATUTORY CONSTRUCTION IS PRESENTED HERE

At P.B. 21-22, Petitioner urges that an important question of statutory construction is presented under the third paragraph of 35 U.S.C. §112 (quoted at P.B. 21-22). Petitioner would have this Court believe that the District Court made no finding that Petitioner's structure employs an equivalent of Respondent's coring knife referred to in the "means" clause of Claim 11 of 2,406,736. As has been pointed out above the District Court made such a finding of equivalency under 35 U.S.C. §112 (Finding of Fact 24, from line 28, P.A. 25, through line 22, P.A. 26).

CONCLUSION

It is respectfully submitted that the petition for writ of certiorari should be denied.

Dated, San Francisco, California,
June 21, 1965.

Respectfully submitted,
FRANK A. NEAL,
Counsel for Respondent.

JAMES M. NAYLOR,
KARL A. LIMBACH,
Of Counsel.

(Appendices I and II Follow)

Appendix I

District Court, N. D. California, S. Div.

GEO. W. ASHLOCK COMPANY v. ATLAS-PACIFIC ENGINEERING COMPANY

No. 40581 Decided Jan. 22, 1963

PATENTS

1. Misuse of patents—In general (§ 45.01.)

Doctrine of misuse extends only to those cases where realistic analysis shows that patent itself significantly contributes to practice under attack; thus, patent is not misused as a matter of law where patent owner never has sold patented machines and refuses to lease them for less than three years and although many leases extend beyond term of patent since there is nothing to indicate that patent has any practical relationship with three year term of leases or with fact that some of them extend beyond expiration of patent; considerations other than the patent, including patent owner's prior practice, practice prevalent in the industry, amortization of cost of machines to patent owner, right to overhaul and install improvements on them, and other similar considerations, may very well have been the factors prompting patent owner to adopt three year basis for all of its leases; court notes that no representation is made in leases that machines are patented, no promise is made to protect lessees from competition by infringing machines, and rental payments contain no patent royalty component.

Particular patents—Pitting Machine

2,406,736, Ashlock, Pitting Machine, misuse not found.

Action by Geo. W. Ashlock Company against Atlas-Pacific Engineering Company for patent infringement. On defendant's motion for summary judgment. Motion denied.

NAYLOR & NEAL, JAS. M. NAYLOR, and FRANK A. NEAL, all of San Francisco, Calif., for plaintiff.

EDWARD B. GREGG and MELVIN R. STIDHAM, both of San Francisco, Calif., for defendant.

ZIRPOLI, District Judge.

This matter comes before the Court on defendant's motion for summary judgment based upon the single issue of misuse of plaintiff's patent monopoly.

The parties hereto, through their counsel, entered into the following stipulation of facts concerning defendant's assertion of patent misuse:

1. The parties are Geo. W. Ashlock Co., a corporation, plaintiff, and Atlas-Pacific Engineering Company, a corporation, defendant.

2. This Court has jurisdiction of the parties and the subject matter and has jurisdiction to try and determine the issue of misuse.

3. Ashlock Patent No. 2,406,736 is the patent in suit.

4. The patent in suit is owned by plaintiff, which has the right to enforce the patent against an infringer subject to determination of the issue of misuse and subject to such other defenses as defendant may have.

5. The patent in suit was granted September 3, 1946 on an application filed March 31, 1944.

6. The patent in suit expires September 3, 1963.

7. The patent in suit is on an olive pitting machine.

8. The parties are competitors in the manufacture of olive pitting machines and in the leasing of these machines to olive packers.

9. At the present time and for many years, all olive packers except one (Lindsay Ripe Olive Company) have leased all of their olive pitting machines.

10. Lindsay Ripe Olive Co. manufactures its own olive pitting machines for its own use and does not lease or sell the same to any other olive packer.

11. From about 1946 until the end of the 1960-61 season, all olive packers in the U.S.A. except Lindsay Ripe Olive Co. leased all of their olive pitting machines from plaintiff. One olive packer in Tijuana, Mexico, has leased and presently has under lease from plaintiff one of plaintiff's olive pitting machines.

12. Defendant designed and built a single prototype olive pitting machine and leased it to Libby, McNeil and Libby for use at that company's plant in Sacramento, California, during the 1961-62 season.

13. All other olive pitting machines used during the 1961-62 season (except for those of Lindsay Ripe Olive Co.) were leased from plaintiff.

14. Defendant has built six production type olive pitting machines and has leased them for the 1962-63 season as follows:

Lessee	No. of Def's Machines
Libby, McNeil & Libby	3
Pacific Olive Company	2
Oberti Olive Company	1
Total	6

15. Plaintiff has in force the following leases of its olive pitting machines:

Lessee	Term of Lease From	To	No. of Years	No. of Machines
Bell Packing Company 1045 Folger Avenue Berkeley, California	6- 1-59	6- 1-64*	5	2
Contadina Foods, Inc. P. O. Box 207 San Jose, California	11-15-60	11-15-63*	3	1
Evans Honey Company 2811 Clearwater Street Los Angeles 3, California	11- 1-60	11- 1-63*	3	1
Cristo Fusano & Sons 13143 San Fernando Road San Fernando, California	5-15-60	5-15-63	3	1
B. E. Glick & Sons Corning, California	9- 1-62	9- 1-65*	3	1
Industrias Olivareras, S.A. Aparado Postal No. 230 Tijuana, B. CFA., Mexico	2- 1-62	2- 1-65*	3	1
Libby, McNeil & Libby 455 Beach Street San Francisco, Calif.	11-15-62	11-15-65*	3	2
Libby, McNeil & Libby P. O. Box 3512 San Francisco 19, Calif.	11-15-60	11-15-63*	3	4
Maywood Packing Company Corning, California	1-15-61	1-15-64*	3	1
Oberti Olive Company P. O. Box 899 Madera, California	9- 1-60	9- 1-63	3	1
Oberti Olive Company P. O. Box 899 Madera, California	9- 1-61	9- 1-64*	3	3
Orinda Olive Corporation P. O. Box 352 Orinda, California	11- 1-61	11- 1-64*	3	1
Olive Products Company P. O. Box 191 Oroville, California	9- 1-60	9- 1-63	3	1
Pacific Olive Company P. O. Box 71 Visalia, California	9- 1-60	9- 1-63	3	4

Lessee	Term of Lease From	To	No. of Years	No. of Machines
Rocca Bella Olive Assn. P. O. Box 188 Wallace, California	9- 1-61	9- 1-64*	3	2
V. R. Smith Olive Co. Lindsay, California	10- 1-61	10- 1-64*	3	2
Spencer Food Company 1307 Goodrich Blvd. Los Angeles 22, Calif.	4- 1-62	4- 1-65*	3	1
Sunland Olive Co., Inc. P. O. Box 86 Terra Bella, California	9- 1-62	9- 1-65*	3	2
Tri-Valley Packing Assn. 240 Battery Street San Francisco, California	11- 1-61	11- 1-64*	3	1
Westgate California Corp. 1955 Bay Front San Diego, California	9- 1-61	9- 1-64*	3	2
Wyandotte Olive Growers Association Oroville, California	9- 1-62	9- 1-65*	3	3

Those leases which expire after September 3, 1963, the expiration date of the patent in suit, are marked with an asterisk. There as 17 such leases out of a total of 21 leases covering 30 out of 37 machines.

16. To the knowledge of the parties hereto, the lists of lessees and leased olive pitting machines in paragraphs 14 and 15 hereof account for all of the olive pitting machines in the United States except for the machines owned and operated by Lindsay Ripe Olive Co. in its own plant or plants.

17. Accurate copies of plaintiff's and defendant's leases are attached as Exhibits A and B, respectively. Attached as Exhibit C is a copy of a letter which was sent by plaintiff to its lessees to modify the rental terms of its leases.

18. V. R. Smith Olive Company had a three year lease for one or more olive pitting machines from plaintiff which expired in the fall of 1961. Said V. R. Smith Olive Company sent a letter to plaintiff on September 27, 1961 as follows:

"Gentlemen:

Referring to an equipment lease which we recently received from you we would say that we have a previous agreement with your company to operate pitting machine on a year to year basis, and if that is agreeable with you we will be glad to sign on that basis."

Mr. John Margaroli, a vice-president of plaintiff, testified as follows regarding this letter and the transaction between plaintiff and V. R. Smith Olive Company, such testimony appearing at page 100, line 15, to page 101, line 1 of John Margaroli's deposition taken October 11, 1962:

Q. "Now, what was your understanding of Mr. Smith's inquiry or request as I have read it to you?

A. Well, I—well, when I received that letter I contacted Mr. Smith immediately by phone and I told him that he was in error, he never did have a lease that gave him this option.

Q. Well, did that letter suggest to you that he wanted that sort of thing, that he wanted a year to year lease?

A. Well, that is the only interpretation that anybody could deduce from that letter.

Q. And you told him that he couldn't have it, didn't you?

A. That's right."

19. Lindsay Ripe Olive Company had a three year lease for one olive pitting machine from plaintiff which

expired November 15, 1961. Shortly before such date said Lindsay Ripe Olive Company requested plaintiff to renew or extend such lease for a period of one year because Lindsay had need for the leased machine of plaintiff for one more year while it was building another machine of its own, the reason being that Lindsay's own machines, then in operation, would not pit certain types of olives satisfactorily. Plaintiff did not consent to a one year extension.

20. John L. Margaroli, a vice president of plaintiff believes (and would so testify if called as a witness) that in response to Lindsay Ripe Olive Company's request for a one year lease renewal or extension he said that he might consider giving said Lindsay Ripe Olive Company a two year extension of its lease (which would have extended the lease to November 15, 1963), but Messrs. Kimball and Webster (both employees of Lindsay Ripe Olive Company) have stated (and would so testify if called as witnesses) that they participated in the negotiations with plaintiff through Mr. Margaroli for an extension of the said lease and that neither of them recalls that Mr. Margaroli (nor any other representative of the plaintiff) made mention of a two year extension of the lease. The aforesaid lease was allowed to terminate on November 15, 1961 and has never been renewed nor has any new lease been entered into with said Lindsay.

21. Plaintiff has never granted a lease of its olive pitting machines for a period of less than three years and it has never sold any such machine. Prior to 1955 plaintiff's practice was to lease for a period of five years and since 1955 its practice has been to lease for a period of

three years. All of plaintiff's presently existing leases of its olive pitting machines are on a three year basis with the exception of a five year lease of two machines to Bell Packing Company; the lease to Bell was given in 1959 responsive to the request of Bell Packing Co. for a five year lease.

22. It is further stipulated, but only for the purposes of this misuse proceeding that: it is common practice in the fruit processing business for the packers or canners to lease much of the processing machinery they require, where the lease is for a term of a number of years. A three year leasing period is prevalent in this practice. Defendant leases its olive pitting machines on a three year basis.

23. It is asserted by plaintiff (and it is admitted by defendant but only for purposes of this misuse proceeding) that the patent in suit, No. 2,406,736, covers all of the olive pitting machines that are presently leased by plaintiff.

24. U.S. Patent No. 2,589,324 issued on March 18, 1952 and expiring on March 18, 1969 relates to a pitting chuck for use on an olive pitting machine to hold an olive while it is being pitted. In response to an interrogatory (Defendant's Interrogatory No. 62) asking plaintiff what substantial improvements plaintiff had made in its olive pitting machine, during the period 1945 to 1961-62, plaintiff listed a number of improvements but did not list the device of Patent No. 2,589,324. Plaintiff, however, sets forth Patent No. 2,589,324 along with other patents on the patent notice plate which has been and is attached to its olive

pitting machines. The patent in suit, No. 2,406,736, is referred to in the specification of Patent No. 2,589,324.

25. With regard to said Patent No. 2,589,324 which does not expire until March 18, 1969, it is stipulated as follows but only for the purpose of this misuse proceeding:

(a) Said patent No. 2,589,324 covers two types of chucks (the so-called OP 310 and the so-called OP 313 chucks) which are used on plaintiff's machines much or most of the time. Plaintiff also uses another chuck, the OP 109 chuck, on its machines. The OP 109 chuck is not covered by any patent.

(b) The patented OP 310 and OP 313 chucks are used, respectively, for the larger and smaller olives. The unpatented OP 109 chucks are used for the intermediate sizes of olives.

26. It is further stipulated but only for the purposes of this misuse proceeding that: In 1960, Ashlock then a sole proprietorship, was acquired by purchase by the Ohrstrom Company. At the time of such acquisition the acquired assets, including all of the olive pitting machines, were recapitalized. With respect to this new capitalization basis none of said olive pitting machines will become fully amortized until the year 1966. All of plaintiff's presently existing leases which extend beyond September 3, 1963, the date of expiration of Patent No. 2,406,736 (the patent in suit), will have expired prior to said year of 1966.

27. Of the three types of olive holding cup or chuck used on plaintiff's olive pitting machine (on unpatented

OP 109 chuck and the OP 310 and OP 313 cups which are asserted by plaintiff to be covered by Patent No. 2,589,-324), the OP 310 cups are the most expensive and a set of these cups for a machine costs in the neighborhood of $800.00.

Defendant's "basic contention" is that plaintiff has adopted the exclusive policy of leasing for a term not less than three years, has heretofore refused to lease for a shorter term, and that many of its leases extend beyond the term of the patent.

After reviewing the stipulated facts, the Court cannot say as a matter of law that the leasing practices of the plaintiff for its olive pitting machines constitute a misuse of the patent monopoly of such character as to be a complete defense to the patent infringement action.

The stipulated facts show that it is common practice in the fruit processing business for the packers or canners to lease much of the processing machinery they require, and that a three year leasing period is prevalent in this practice. No representation is made in the leases that the leased machines are patented, and no promise is made to protect the lessee from competition by infringing machines. The rental payments made under the leases contain no patent royalty component. While plaintiff on at least two occasions refused to lease its machines to processors for a period of less than three years, this in itself is not unreasonable, where such three year term is prevalant in the industry, and it has never been the practice of plaintiff to lease its machines for less than three years. Furthermore, an analysis of the reasons for

such refusal to lease for less than three years discloses that on one occasion a lessee requested a year-to-year renewal of an existing lease in the belief that the existing lease so provided, and on another occasion the lessee requested a renewal lease for a one year period while it constructed a machine of its own to do the job of the leased machine.

The better rule appears to be that the doctrine of misuse should extend only to those cases where a realistic analysis shows that the patent itself significantly contributes to the practice under attack. In the instant case there is nothing to indicate that the patent itself had any practical relationship with the three year term of the leases or with the fact that some of the leases extend beyond the expiration of the patent. Considerations other than the patent, including plaintiff's prior practice, the practice prevalent in the industry (as manifested in part by the defendant's own three year leasing policy), amortization of cost of machines to plaintiff, the right to overhaul and install improvements on them and other similar considerations may very well have been the factors which prompted plaintiff to adopt a three year basis for all of its leases. Certainly this would be in line with its earlier history going back to 1946.

It is apparent to the Court that on the record presently before it, it cannot say as a matter of law there has been a misuse of the patent in suit. Should the evidence in the course of the trial indicate that the patent itself significantly contributed to the leasing practice under attack, the Court might be disposed to take a different view than that presently expressed. Absent such clear and convinc-

ing evidence at this time, the Court must and does conclude, without prejudice to the defendant to prove otherwise in the course of the trial, that plaintiff has not misused its patent monopoly.

Accordingly, the Court enters the following order:

1. Defendant's motion for summary judgment is denied without prejudice to the defendant to prove during the course of the trial that plaintiff has misused its patent monopoly;

2. The hereinabove set forth stipulated facts numbered 1-21, 24 and 27 are specified as being established for subsequent pre-trial and trial proceedings.

Appendix II

In the case at bar, the only unexpired patent on the Ashlock olive pitting machine is Patent No. 2,589,324, which was sued on with the '736 patent here involved. Claims 1 and 3 of that patent (the only claims asserted to be infringed) were held invalid and no appeal has been taken. The situation is, therefore, as follows:

Ashlock presently has no patent on its machine except a flabby patent which has been litigated adversely; yet Ashlock continues to hold seventeen lessees operating thirty machines in thralldom, not because of its legitimate rights under the patent laws but because of contracts forced upon the lessees during the life of the patent here involved. (From p. 39 of Petitioner's opening brief on appeal to the Court of Appeals).

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In the Supreme Court of the United States

OCTOBER TERM, 1965

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Respondent.

Petitioner's Reply Brief in Support of Petition for a Writ of Certiorari

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Petitioner's Reply Brief in Support of Petition for a Writ of Certiorari

Respondent's Brief in Opposition (hereinafter referred to as Respondent's Brief) is predicated upon the following asserted facts:

I. In addition to the patent in suit (No. 2,406,736) and the three expired patents mentioned on the face of the patent in suit (Patents Nos. 2,250,518; 2,271,675; and 2,219,832, which expired in 1957, 1958 and 1959) Respondent also had a method patent (No. 2,407,126) and a cup or chuck patent (No. 2,589,324). Only Claims 1 and 3 of the cup patent were held invalid, the

other two claims (Claims 2 and 4) not having been formally held invalid, and such patent expiring in 1969.

II. Everyone in the business of leasing processing equipment for use by canners (including Petitioner and Respondent) engages in the practice of leasing for a term not less than three years. Therefore, this practice is sanctioned by custom; and this sanction includes the right to monopolize 70% of the trade on three year leases after expiration of the last valid patent purporting to cover competitive machines.

III. The District Court did, in fact, find the Petitioner's structure to be the equivalent of Respondent's structure.

Respondent's Brief does not challenge the following important facts set forth in the Petition:

(a) That the only unexpired patent of Respondent which purported to cover Respondent's machine or any part thereof after September 3, 1963 was the cup patent, No. 2,589,324.

(b) That no valid claim of any unexpired patent of Respondent (not even the cup patent) covered Petitioner's structure or any part thereof after September 3, 1963.

(c) That, nonetheless, after September 3, 1963, 70% of the olive pitting machines in the United States remained bound by lease contracts to Respondent (See Petition, page 14, second paragraph and the table on page 13).

(d) That this situation was brought about by Respondent's lease contracts and was not inherent in Respondent's patent monopoly.

(e) That Respondent in this suit for infringement of Patent No. 2,406,736 demanded (and it never withdrew its demand for) injunctive relief to protect this post-expiration lease position; i.e., to protect a monopoly which was created by contract, not by patents.

(f) That Respondent demanded (and it never withdrew its demand for) damages to compensate it for loss of lease income

after expiration of the patent in suit and after expiration or invalidation of all claims purporting to cover the machines of Petitioner; i.e., to compensate Respondent for loss of the expectancy of a complete contract monopoly after expiration or invalidation of all applicable patent claims.

On points (e) and (f) above, see Petition, page 18, last paragraph of text and quotation from the record bridging pages 18 and 19. This has not been challenged by Respondent. *Without question Respondent admits seeking relief by way of injunction or damages after expiration of all valid patent claims covering Petitioner's machine; and Respondent admits that the purpose of such relief was to protect a monopolistic position achieved by contract and extending beyond the date of expiration of the patent in suit.*

The Courts below have not punished this attempt to use a patent, during its lifetime, to protect a contract monopoly after the patent has expired. All that the Courts below have done is to say, in effect, "We won't let you do it, but we're not going to punish you for trying." This is in the teeth of *Morton Salt Co. v. Suppiger*, 314 US 488, 493; 62 S.Ct. 402, 405; 86 L.Ed. 363, 366 (1942), wherein this Court said:

> "Undoubtedly 'equity does not demand that its suitors shall have led blameless lives', Loughran v. Loughran, 292 U.S. 216, 229, 54 S.Ct. 684, 689, 78 L.Ed. 1219, cf. Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 241, 245, 54 S.Ct. 146, 147, 78 L.Ed. 293; but additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors. Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product [in the present case the machine of Patent No. 2,406,736 after expiration of that patent], the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying

the grant of the patent. Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish. Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the proper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated. Cf. B. B. Chemical Co. v. Ellis, 314 U.S. 495, 62 S.Ct. 406, 86 L.Ed. ....., decided this day." (Matter in brackets added.)

An analogous issue is before this Court in *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, presently on the docket of this Court as No. 13 of the October 1965 Term and scheduled for argument this Term. In Walker, a patent was procured by fraud but, upon its expiration and after revelation of the fraud, the patent owner (FMC) procured dismissal of its complaint. The defendant (Walker), although freed of all claims of patent infringement, persisted with an antitrust counterclaim predicated upon Section 2 of the Sherman Act, 15 USC 2, claiming that it had been injured by the fraudulent patent. The courts below dismissed the antitrust counterclaim (see 335 F.2d 315). This Court granted certiorari.

Quite evidently, in Walker, this Court is entertaining, and will decide the view that fraud in the procurement of a patent deserves more than a light slap on the wrist in the form of a dismissal of the patent infringement complaint; and that it deserves positive relief under the antitrust law.

It is equally evident that a patentee who *endeavors* to extend his patent monopoly deserves more severe punishment than a judicial expression of disapproval; he deserves to have his right to relief denied. Otherwise there is no deterrent to attempts at misuse.

Commenting on the asserted facts numbered I, II and III, supra:

The Existence of Method Patent No. 2,407,126 Is Not Significant

This patent (which is mentioned in Petitioner's Brief at page 13) was, in effect, conceded not to be infringed by Petitioner. At Volume 4 of the record in this Court, pages 319-321, Mr. Hesse, vice president of Respondent, was cross-examined by Petitioner's counsel with regard to the claims of this method patent (there being only two claims). At page 321, the following colloquy is reported with regard to these claims.

> "Now, I ask you, Mr. Hesse, we are not charged with infringement of either one of the claims, are we?"
> A. No, we have . . .
> Q. All right.
> A. . . . not charged by you with this"

Moreover, this method patent expired at the same time as the patent in suit, No. 2,406,736; that is to say on September 3, 1963.

The method patent cannot be counted in favor of Respondent on the issue of apportionment because it was not alleged to be infringed by Petitioner; nor can it be counted in favor of Respondent on the issue of extension of the patent monopoly because it expired at the same time (September 3, 1963) as the patent in suit, No. 2,406,736.

The Cup Patent No. 2,589,324 Is Not Significant

This trivial patent contains four claims which are set forth in footnote 1 hereinbelow. Stripped of verbiage, what Claim 1 is

---

1. A chuck for the orienting and pitting of an elongated fruit having a major and a minor axis, the chuck comprising a receptacle having a cavity therein symmetrically disposed about its major axis and defined by an upper conoidal portion and a lower conoidal portion adjacent to said upper portion, said upper portion being in the form of an inverted frustrum of a cone and having its largest diameter approximately equal to the major axis of the fruit, with opposite cavity walls at an angle of from 50° to 90°, said lower portion continuing and being of smaller diameter than said upper portion and in the form of an inverted frustrum of a cone with opposite cavity walls at an angle of from 22° to 44° and at least

for (and this is one of the two claims that were formally held to be invalid), is a cup or "chuck" for receiving olives and for holding them in upright position for pitting, such cup having a wide, flaring, funnel-like top portion to facilitate entry of the olive and a narrow bottom portion to hold the olive in upright position. Each of the other claims (Claims 2, 3 and 4) specifies some particular angular relationship between the upper and lower portions of the cup.

The District Court very caustically described these angular relationships as follows at Vol. 10, page 1155:

> "THE COURT: Well, I was trying to find out how you came to these figures, and when you start telling me you came to the figures because the lawyer figured you ought to be putting in some figures, then you don't have any significance.
>
> "If these figures were the result of somebody's work, if somebody made an analysis and they had a machine and they said that if you ran the machine with so many vibrations and that you had such a size olive in there and you dropped it in a particular way with a particular angle, it will take you a long time to get the olive to go down into the cone, whereas if you had still another angle you found there was an instantaneous result, then you've got a basis for a claim.
>
> "But if you are just picking up figures because a lawyer said figures, that it should be dressed up, then you haven't got a claim."

20° smaller than the angle included between the opposite cavity walls of said upper portion, the upper portion being of a heighth measured along said cavity axis which is at least about 15% of the minor axis of the fruit, the lower portion having a heighth measured along said cavity axis of at least about 55% of the major axis of the fruit.

2. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 50° and the cavity walls of the lower portion are at an angle of about 28°.

3. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 60° and the cavity walls of the lower portion are at an angle of about 30°.

4. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 90° and the cavity walls of the lower portion are at an angle of about 28°.

At page 1154 of the same volume, lines 3 to 9, the District Court described the claims of this patent as "hocus-pocus".

Moreover, Respondent's Brief does not refer to a single item of evidence in support of its assertion that the two claims which were not sued upon (Claims 2 and 4), and which were conceded not to be infringed by Petitioner, cover any part of Respondent's own machine. At page 5, next-to-last paragraph of Respondent's Brief, reference is made to Joint Pre-Trial Order, Vol. 1, page 90, paragraph 30 and to an affidavit of Mr. Margaroli at Volume 1, page 33, first paragraph.

The Margaroli affidavit was never offered and was never received in evidence at the trial of the case. It does not constitute evidence of anything. The paragraph of the Pre-Trial Order referred to reads as follows:

> "30. Of the three types of olive holding cup or chucks used on plaintiff's olive pitting machine (the unpatented OP 109 chuck and the OP 310 and OP 313 cup which are asserted by Plaintiff to be covered by patent No. 2,589,324), the OP 310 cups are the most expensive and a set of these cups for a machine costs in the neighborhood of $800."

Note that this paragraph merely states that it is "asserted by plaintiff [meaning Respondent] to be covered by Patent No. 2,589,324". No claim is singled out and "asserted by Plaintiff" to cover its OP 310 and OP 313 cups.

It is apparent that Respondent is endeavoring to bootstrap one of the most trivial patents that has come before this Court, into a justification for extending its monopoly by way of three year lease contracts, and to continue to do so until 1969 when that patent expires.

Custom in an Industry Cannot Justify a Three Year Leasing Practice Where Suit Is Brought on a Patent and Relief Is Demanded to Protect the Leasing Practice After Expiration of the Patent

In the Petition, at page 16, in its second reason for granting the writ, Petitioner has stated the following:

> "This question is unlikely to be litigated in any other circuit than the Ninth Circuit. The states comprising the Ninth Circuit (California in particular), account for a very large proportion of the useage of fruit processing machines. California accounts for all of the olive production and processing in the United States."

This has not been challenged. In fact, it has been reinforced and confirmed by Respondent's contention that three year leases are the custom in the industry.

Respondent does not cite a single case in support of the proposition that, because a practice is prevalent and is a generally recognized custom, it is lawful. It may, perhaps, be a custom which is convenient for, or is preferred by all concerned. However, as stated by this Court in *B.B. Chemical Co. v. Ellis*, 314 U.S. 495 at 498, 62 S.Ct. 406 at 408, 86 L.Ed. 367 at 370:

> "It is without significance that, as petitioner contends it is not practicable to exploit the patent rights by granting licenses because of the preferences of manufacturers and of the methods by which petitioner has found it convenient to conduct its business. The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant."

If custom in the industry is to be the criterion for judging the legality or illegality of a practice with respect to extension of a patent monopoly, that criterion should be enunciated by this Court so that, in the Ninth Circuit especially, lessors and lessees may know the state of the law.

Respondent's Contention That the Courts Below Made Findings of Equivalence Ignores the Fact the Courts Below Refused to Apply 35 USC 112 in the Light of the Withdrawal of Claim 5

In the paragraph commencing at the bottom of page 9 of the Petition and extending over to page 10, Petitioner has pointed out the numerous and various ways in which the courts below ap-

proached the interpretation of Claim 11 and their reasons for finding that it was infringed by Petitioner's structure. However, as pointed out at the close of this portion of the Petition,

> "But nowhere in the District Court's opinion or in the Court of Appeals' opinion is there any mention of 35 USC 112 nor of its rule of interpretation of a 'means' claim. The courts below were silent as to the inferences to be drawn from the withdrawal of Claim 5, which is summarily dealt with in Finding No. 25 as follows:
>
> '25. Claim 5 of '736 [the patent in suit] has been withdrawn. Claim 5 has no effect on Claim 11.' "

This has not been challenged by Respondent. The statutory command of 35 USC 112 is that, if an element in a claim for a combination is "expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof", the claim "*shall* be construed to cover the corresponding structure, material, or acts described in the specification and in equivalence thereof." (Emphasis added)

The courts below refused to grapple with the problem presented by the fact that Respondent conceded at the trial that Claim 5 required a finding of equivalence of Petitioner's structure; that Respondent withdrew Claim 5 in the light of adverse evidence, from which the only conclusion to be drawn is that Petitioner's structure is not an equivalent; and that, if there was non-equivalence with respect to Claim 5, there must also be non-equivalence with respect to Claim 11 (the broad means claim) because of the rule of construction provided by 35 USC 112.

It is respectfully submitted that important questions are presented which vitally concern the administration of the patent laws, and that the writ should be granted.

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In the Supreme Court of the United States

OCTOBER TERM, 1965

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Respondent.

Petitioner's Supplemental Brief in Support of Petition for a Writ of Certiorari

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Petitioner's Supplemental Brief in Support of Petition for a Writ of Certiorari

Introduction

Petitioner files this Supplemental Brief to bring to the attention of the Court a recent important case—*Georgia-Pacific Corp. v. United States Plywood Corp.*, 146 U.S. Patents Quarterly 228, ... F Supp. .....—which bears upon the question of apportionment. That case (*Georgia-Pacific*) was decided June 15, 1965. The opinion (by Judge Herlands of the United States District Court for the Southern District of New York) was published on July 26, 1965 in Volume 146 of the United States Patents Quarterly. It is pertinent to the difficult problem of apportionment of dam-

ages. Question No. 2, raised in the Petition in the case at bench (Petition, pages 2 and 3), relates to apportionment. Pertinent excerpts from the opinion are given below and at greater length in the Appendix hereto.

Georgia-Pacific Emphasizes the Difficulties Confronting a Lower Court Where a Patent Relates to Only a Part of a Complex Machine and the Court Is Asked to Apportion Damages to Reflect This Fact

In the case at bench, the patent in suit relates to only part of a complex machine, most of which is covered by expired patents (Petition, pages 10 and 11). In *Georgia-Pacific,* the patented device (striated plywood) was simpler but the problem of apportionment looms very large in the opinion. The patent in suit (Deskey Patent No. 2,286,068) related to striation of the face veneer or ply of plywood. The back veneer or ply of G.P.'s infringing plywood was gouged out to avoid warping, such gouging being covered by another patent to a G-P employee (Leonardson Patent No. 2,782,468). That is, the infringing article in *Georgia-Pacific* embodied the old unpatented three-ply wood lamination plus a feature (rear gouging) of another patent, not owned by the claimant,[1] as well as a feature (striation of the face veneer) covered by the Deskey patent in suit. In the case at bench, the machine in question embodied features of several expired patents as well as the feature of the patent in suit.

The court in *Georgia-Pacific,* on the authority of several earlier lower court cases and on the authority of *Aro Mfg. Co. v. Convertible Top Replacement Co.,* (referred to as *"Aro II"*) 377 US 476, 502-514; 84 S.Ct. 1526, 1540 to 1546; 12 L.Ed.2d 457, 477 to 484, (1964), held that by reason of the 1946 amendment to the patent statutes (Act of August 1, 1946, chap. 726, sect. 1, 60

1. This was a declaratory judgment suit with Georgia-Pacific as plaintiff seeking a declaration that U.S. Plywood's Deskey patent was invalid and not infringed. U.S. Plywood counterclaimed for infringement of the Deskey patent.

Stat. 778; former 35 USC, (1946 ed.), sects. 67 and 70) profits of the infringer no longer constitute a measure of damages.

In reaching this conclusion, the Court in *Georgia-Pacific* made frequent reference to the difficult question of apportionment; see pertinent excerpts from the opinion in the Appendix hereto. Typical of these references are the following (page references being to U.S. Patents Quarterly, Vol. 146):

At page 252:

> ". . . —the often insuperable problem of apportioning the infringer's total profits on the sale of a product between the patented and nonpatented features, the injustices sometimes visited on infringers on whom the burden of making the apportionment had fallen, and the length and expense of the hearings."

At page 249, in footnote 23 quoting from Congressional hearings on the Act of 1946:

> "Frequently a suit for patent infringement involves the infringement of only an improvement in a complex machine, and it is impossible to apportion profits due to the improvement."

At page 253:

> "It will be particularly difficult for the patent owner to prove that the infringement divered [meaning "diverted"] a measurable quantity of sales from him in those cases in which the infringement was of an improvement patent, or of a patented part sold in conjunction with non-patented parts—and these are just the classes of cases in which the apportionment of profits has proved such a source of concern.[37]"

At page 253, in footnote 37, quoting from *Cincinnati Car Co. v. New York Rapid Transit Corp.*, 66 F2d 592, 593; 19 USPQ 40, 41 2nd Cir., 1933:

> "The situation was . . . one so common in patent accountings, in which the invention was not of the article as a whole, but of a small detail. The difficulty of allocating

profits in such cases has plagued the courts from the outset, and will continue to do so unless some formal and conventional rule is laid down, which is not likely. Properly, the question is in its nature unanswerable."

Georgia-Pacific Implies That the Problem of Apportionment Has Been Solved or Greatly Alleviated by Elimination of Profits of the Infringer as a Measure of Damages. But That Problem Is Still with Us in Unmitigated Form and Will So Continue Until the Lower Courts Are Aided by This Court

At 146 USPQ 249, 250 *Georgia-Pacific* states:

"Indeed, if the Special Master's construction were the correct one, the 1946 amendment granted to the patent owner the option of choosing whether or not to seek the ascertainment (and recovery) of the infringer's profits, and thus the power to necessitate proceedings before a master. This would be an ironic and implausible result in view of the impressive testimony before the House Committee on Patents that a serious defect of the then existing statute was the extent to which patentees were able to abuse their privilege of seeking a recovery of the infringer's profits, and to turn the proceedings before the master into an instrument for oppressing the infringer.[23] Merely eliminating the mandatory accounting for profits, which had hitherto preceded the setting of a reasonable royalty, would in no way have alleviated this problem, inasmuch as the patentees' abuses of the existing procedures stemmed from their privilege of choosing to recover the infringer's profits."

Footnote reference 23 appearing in this part of the opinion is quoted *in toto* in the Appendix hereto, at pages 2-4. That footnote sets forth a statement by Assistant Commissioner of Patents Conder C. Henry before a committee of Congress in connection with the then pending 1946 Act. This statement includes the following which appears at page 250 of 146 USPQ:

"The legislative history indicates that the most troublesome abuses of the then existing statute occurred when the infringement was of an improvement patent on a complex

machine. However, as was already noted, Congress seems to have provided a sweeping resolution to the problem by eliminating the recovery of profits qua profits in all cases. The statute does not authorize a different remedy for the owner of an infringed item which was patented and sold as an entirety, or which provides the entire market value of the article of which it is a part, than it authorizes for the owner of an improvement patent."

At page 253 the Court refers to "the basic statutory purposes" of the present patent damages statute (35 USC 284) as being that "of effecting a sharp reduction in the number of proceedings before masters and avoiding the frequently insoluble problems of apportioning profits."

This implies that the problem of apportionment is no longer with us. But the case at bench proves that the problem of apportionment is still with us, whether the basis of monetary recovery is profits of the infringer, damages adequate to compensate the plaintiff, or a reasonable royalty.

This problem will remain with us in unalleviated form until this Court lays down guidelines.

The Rationale of the Decisions Below in the Case at Bench Is That the Interest of the Public in Having Unfettered Use of Expired Patents Must Give Way to Private Interest and to Perpetuation of the Monopoly of Expired Patents if the Problem of Apportionment Proves to Be Difficult

The problem of apportionment is difficult. *Georgia-Pacific* and cases and authorities there cited say so. The District Court in the case at bench said so in the following words:

> "28. The Court finds that it is neither possible nor practical to separate the parts from the whole of the overall Ashlock olive pitting machine for the purpose of assessing damages on an apportionment basis." (Finding of Fact No. 28, Appendix to Petition, pages 27 and 28)

The Court of Appeals affirmed (Footnote 7 to the Court of Appeals opinion, at page 35 of Appendix to Petition).

But the result of refusing to apportion damages because apportionment is difficult is to shift the burden to the public and to deny the public the benefits (free use of the invention) which is supposed to flow from the expiration of a seventeen year patent monopoly. To that extent, *Brulotte v. Thys Co.*, 379 US 29, 85 S.Ct. 176, 13 L. Ed. 2d 99 is thwarted.

This Court should provide guidelines to lessen the task of apportionment, or it should tell the lower Courts that the public importance of apportionment compels that it be carried out regardless of difficulty.

The Time Is Ripe for This Court to Review the Question of Apportionment Because the Last Time This Court Gave Full Consideration to the Question Was in 1912

Research on the part of Petitioner's counsel[2] has demonstrated that the latest case in which this Court gave full consideration to the question of apportionment was *Westinghouse Electric & Mfg. Co. v. Wagner Electric Co.* 225 US 604; 32 S. Ct. 691; 56 L. Ed. 1222, decided in 1912. The only later cases of this Court that Petitioner's counsel has found which cite *Westinghouse* are as follows:

Duplate Corp. v. Triplex Safety Glass Co., 298 US 448, 457; 56 S. Ct. 792, 796; 80 L. Ed. 1274, 1281, decided in 1936, disallowed a reasonable royalty deduction from the profits of the infringer, to reflect patentable contributions made by the infringer.

Sheldon v. Metro-Goldwyn Pictures Corp., 309 US 390, 402; 60 S. Ct. 681, 685; 84 L. Ed. 825, 832, decided in 1940, discussed *Westinghouse* in relation to recovery of damages for copyright infringement.

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2. Authorities consulted included Walker on Patents, Deller's Edition (1937) and its 1964 Cumulative Supplement; U.S. Code Annotated, Title 35 (1952 Ed.) including the 1964 Cumulative Pocket Part; and the Cumulative Digest of U.S. Patents Quarterly, Vols. 1 through 143 (1929 to the end of 1964), under the topic of "Accounting—Apportionment." Also, the *Westinghouse* citation was Shepardized, from which the cases discussed in the text were gleaned.

Mishawaka Rubber & Woolen Mfg. Co. v. Kresge Co., 316 US 203, 206; 62 S. Ct. 1022, 1024; 86 L. Ed. 1381, 1385, decided in 1942, cited *Westinghouse* in relation to damages in a trademark suit.

Marconi Wireless T. Co. v. U.S., 320 US 1, 50; 63 S. Ct. 1393, 1416; 87 L. Ed. 1731, 1758, decided in 1943, cites *Westinghouse* for the proposition that, where a defendant has added valuable non-infringing improvements, he is not liable for monetary benefits resulting from his improvements.

Bigelow v. RKO Pictures, 327 US 251, 265; 66 S. Ct. 574, 580; 90 L. Ed. 652, 661, decided in 1946, was an anti-trust case. It cited *Westinghouse* as authority for the proposition that, if the defendant's wrongful action has made it impossible to show what proportion of his profits is attributable to his wrongdoing, then plaintiff is entitled to all of his profits.

The latest of these cases was decided nearly twenty years ago (*Bigelow*, on February 7, 1946). It was an anti-trust case, not a patent case, and it was decided before the 1946 amendment to the patent damage statutes and long before the 1952 Patent Act, *Aro II* and *Brulotte*.

It is time that this Court finish the task that was commenced in *Aro II* and foreshadowed in *Brulotte;* that it reconsider old cases which were decided in a different climate of opinion regarding patents, at a time when the practice of awarding profits of the infringer was in full bloom; and that this Court tell the lower Courts that the public must not be denied the benefits intended to flow from the expiration of patents even though a difficult apportionment problem is involved.

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(Appendix Follows)

Appendix

Pertinent excerpts from the opinion in *Georgia-Pacific v. U.S. Plywood,* 146 USPQ 228-267, are set forth in this appendix. The opinion is very lengthy (forty pages) and it contains copious footnotes. Only those parts of the opinion pertinent to the question of apportionment are set forth herein.

Excerpt from pages 246-250, with footnotes omitted

This legislative history[17] is not entirely free of ambiguity.[18] However, it is clear that Congress was dissatisfied with the existing law because the determination of the infringer's profits seemed necessary in virtually every case in which the patent owner sought a monetary award; and this resulted in long and costly hearings before masters and insoluable problems of apportionment. Obviously, a determination of the infringer's profits was necessary in those cases in which the patent owner sought these profits as the basis of his recovery. However, Congress interpreted the 1922 Act as requiring an accounting for profits even in those cases in which the patent owner merely sought a reasonable royalty.[19] Thus, in enacting the 1946 amendment Congress intended at the very least to enable a patentee who sought a recovery based only on a reasonable royalty to avoid the time and money-consuming procedure of an accounting for profits. In other words, Congress eliminated any mandatory requirement that there be an accounting for profits.[20]

The Special Master maintains that this was all Congress intended to accomplish by the 1946 amendment.[21] However, his interpretation not only clashes with explicit statements in the legislative history,[22] but it leaves unsolved the major problems which motivated the 1946 legislation.

If the Special Master's theory were correct, the result would presumably be the avoidance of some accountings for profits, but not a drastic reduction of such accountings because the patentee would still have the right to seek a determination of the amount of the

infringer's profits and of his own damages, and to recover the greater of the two amounts. The patent owner's exercise of this right would entail another of those expensive and protracted hearings before a master, with the attendant problems of apportionment, which Congress clearly sought to eliminate.

Indeed, if the Special Master's construction were the correct one, the 1946 amendment granted to the patent owner the option of choosing whether or not to seek the ascertainment (and recovery) of the infringer's profits, and thus the power to necessitate proceedings before a master. This would be an ironic and implausible result in view of the impressive testimony before the House Committee on Patents that a serious defect of the then existing statute was the extent to which patentees were able to abuse their privilege of seeking a recovery of the infringer's profits, and to turn the proceedings before the master into an instrument for oppressing the infringer.[23] Merely eliminating the mandatory accounting for profits, which had thitherto preceded the setting of a reasonable royalty, would in no way have alleviated this problem, inasmuch as the patentees' abuses of the existing procedures stemmed from their privilege of choosing to recover the infringer's profits.

In the light of the grave concern expressed in the legislative history over the problems of apportionment of the infringer's profits[24] and the delay and expense[25] which arise during the ascertainment of profits, and in view of the specifically expressed purpose of attempting to eliminate such accountings[26] it seems clear that the legislation had a more ambitious goal than the mere elimination of mandatory accountings for profits. This goal was the avoidance of all, or nearly all, accounting for profits before masters;[27] and it was to be accomplished by doing away with their basic raison d'être, i.e., by eliminating the infringer's profits as an independent measure of the patent owner's recovery.

Footnote 23 on pages 249 and 250

23. See e.g., letter from Mr. Fish to Mr. Howson, supra note 22; statement of Mr. Conder C. Henry, Assistant Commissioner

of Patents, before the House Committee on Patents, 1946 House Hearing 7-10:

> Now, how has this present act been administered and what has been its effect on party litigants?
>
> The relief that a patent owner needs against an infringer to protect his rights in his patent and to compensate him for past infringement is an injunction to prevent future invasion of his right and damages for past infringement. This the law now accords him in addition to the profits made by the infringer which are attributable to the unauthorized use and sale of the infringed invention. It is just at this point, that is, the determination of profits and damages and the manner of proving the same before masters, that difficulties and injustices arise in the adjudication of claims for patent infringements.
>
> Frequently a suit for patent infringement involves the infringement of only an improvement in a complex machine, and it is impossible to apportion profits due to the improvement. In such circumstances the proceedings before masters, which are conducted in accordance with highly technical rules and are always expensive, are often protracted for decades and in many cases result in a complete failure of justice.
>
> I fully agree with Judge Evan A. Evans, senior judge of the Seventh Circuit Court of Appeals, in his speech before the patent Law Association in Pittsburgh, in 1944, when he said, that the rule holding an infringer liable as a wrongful trustee for the patent owner—
>
> > is not workable or practicable and is used by plaintiffs and their counsel to beat and bludgeon a competitor until he; or it, be exterminated. It is not damages that are sought, but the extermination of a competitor.
>
> By making it unnecessary to have proceedings before masters and eliminating the element of profits except as an

element of general damages in patent infringement suits and empowering equity courts to assess general damages, the measure represents proposed legislation which in my judgment is long overdue.

The legislative history indicates that the most troublesome abuses of the then existing statute occurred when the infringement was of an improvement patent on a complex machine. However, as was already noted, Congress seems to have provided a sweeping resolution to the problem by eliminating the recovery of profits qua profits in all cases. The statute does not authorize a different remedy for the owner of an infringed item which was patented and sold as an entirety, or which provides the entire market value of the article of which it is a part, than it authorizes for the owner of an improvement patent.

Excerpt from page 252, with footnote 33 appended

No matter what name the successful patent owner ultimately applies to his recovery (whether "profits" or "damages"), if it is to be measured by the amount of the infringer's profits, it would require the ascertainment of those profits. This in turn would necessitate an accounting for profits, whether before a master or before the court, which would be open to all the criticisms which were leveled at such proceedings in the testimony before the House Committee on Patents—the often insuperable problem of apportioning the infringer's total profits on the sale of a product between the patented and nonpatented features, the injustices sometimes visited on infringers on whom the burden of making the apportionment had fallen,[33] and the length and expense of the hearings.

33. Note 23 supra. But see Cincinnati Car Co. v. New York Rapid Transit Corp., 66 F.2d 592, 19 USPQ 40 (2d Cir. 1933). The Second and Sixth Circuits do not allow the owner of an infringed improvement patent to recover the infringer's entire profits, even though the patent owner shows that apportionment is impossible.

Excerpt from page 253, with footnote 37 appended

[12] The question arises as to whether, in those cases in which the plaintiff seeks to utilize "profits" as we have suggested, this interpretation will perpetuate the problems that arose when "profits" were independently recoverable. However, the court concludes that this construction of section 284 of the 1952 Act will comply with the basic statutory purposes of effecting a sharp reduction in the number of proceedings before masters and avoiding the frequently insoluble problems of apportioning profits. These results will stem from the prerequisite that the patent owner must first establish, as a matter of evidence, the foundation fact that he would have made a measurable portion of the infringer's sales, if the infringer had not entered the field, before the amount of the infringer's profits on these sales becomes evidentially competent, material and relevant to the factual determination of the patent owner's lost profits.

This will not always be an easy hurdle for the patent owner to surmount. Indeed, USP was unable to clear it in this case (Report at 91-107). It will be particularly difficult for the patent owner to prove that the infringement divered a measurable quantity of sales from him in those cases in which the infringement was of an improvement patent, or of a patented part sold in conjunction with non-patented parts—and these are just the classes of cases in which the apportionment of profits has proved such a source of concern.[37]

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37. See, e.g., Cincinnati Car Co. v. New York Rapid Transit Corp., supra note 33, at 593, 19 USPQ at 41:

> The situation was * * * one so common in patent accountings, in which the invention was not of the article as a whole, but of a small detail. The difficulty of allocating profits in such cases has plagued the courts from the outset, and will continue to do so unless some formal and conventional rule is laid down, which is not likely. Properly, the question is in its nature unanswerable.

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OCTOBER TERM, 1965

No. 222

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a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

SUPPLEMENTAL BRIEF FOR RESPONDENT IN OPPOSITION

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SUPPLEMENTAL BRIEF FOR RESPONDENT IN OPPOSITION

INTRODUCTION

Petitioner has filed a Reply Brief and a Supplemental Brief.

Reference herein is made to Petitioner's Reply Brief only for the purpose of directing this Court's attention to the fact that pages 1154 and 1155 of Vol. 10 of the

transcript of the record before the District Court do not appear in the record certified to this Court and on file therein. Nevertheless, Petitioner, at pages 6-7 of its Reply Brief, refers to these pages 1154-1155 and quotes verbatim passages from them.

The balance of this Supplemental Brief in Opposition will be directed to replying to Petitioner's Supplemental Brief.

THE CONCURRENT HOLDINGS OF THE COURTS BELOW ON APPORTIONMENT TURN SOLELY UPON AN ANALYSIS OF THE PARTICULAR FACTS INVOLVED

At pages 5 and 6 of its Supplemental Brief Petitioner states the following: that the apportioning of damages is a difficult matter; that the District Court below said that it was difficult to apportion damages in the present case; and that the Court of Appeals, by way of affirming the District Court, also said that it was difficult to apportion damages in the present case. From such statements the Petitioner implies that the holdings below concerning apportionment are contrary to the public interest, concludes that *Brulotte v. Thys Co.*, 379 U.S. 29, 85 S. Ct. 176, 13 L. Ed. 2d 99, has been thwarted, and urges that in connection with the present case this Court should either provide guidelines to lessen the task of apportionment or tell the lower Courts that apportionment should be carried out regardless of difficulty. There is no truth or merit to any of this except, possibly, Petitioner's general statement that the apportioning of damages is a difficult matter.

In actuality the concurrent holdings of the Courts below in refusing to apportion damages are holdings, based upon particular facts involved, that the present case is not one calling for apportionment of damages. It cannot validly be contended that these holdings of the Courts below signify that apportionment is in order but is denied because of the difficulties involved. But Petitioner so contends.

It is enabled to so contend by focusing attention, at page 5 of its Supplemental Brief, on the first sentence of Finding of Fact No. 28 (Appendix to Petition, pages 27 and 28), i.e.

> "28. The Court finds that it is neither possible nor practical to separate the parts from the whole of the overall Ashlock olive pitting machine for the purpose of assessing damages on an apportionment basis."

It would appear that Petitioner equates the words "neither possible nor practical" with the word "difficult". When the balance of Finding of Fact No. 28 is examined it becomes clear that the Courts below have held that, on the facts presented, the present case is not a proper one for apportionment of damages. The balance of Finding of Fact No. 28 reads as follows:

> "Aside from the elements defined in Claim 11 as constituting the subject matter thereof, an overall Ashlock olive pitting machine is further constituted by a feed hopper into which the olives to be pitted are delivered in bulk, a pick-up conveyor which serves the purpose of transferring the olives from the feed hopper to the conveyor recited in Claim 11, and vibrator means associated with the conveyor mentioned in Claim 11 to serve the purpose of causing

the olives within the receptacles of the conveyor of Claim 11 to work themselves into the desired pitting position wherein their long axes are disposed essentially vertically. The Court finds that in the absence of any of these further parts of the overall Ashlock olive pitting machine any resulting version of a pitting machine would lack the usefulness of the overall machine in the hands of the Ashlock lessees and thus not be desirable to the lessees from the practical aspect of commercial production use. Mr. Margaroli's testimony was to the effect that none of the plaintiff's lessees had ever to his knowledge requested the lease of less than an entire olive pitting machine of the plaintiff or of the plaintiff's predecessors."

CONCLUSION

Petitioner's Supplemental Brief, when considered along with the foregoing, further indicates that Question No. 2 of the Petition is lacking in merit and substance with reference to the facts of this case.

Dated, San Francisco, California,
September 21, 1965.

Respectfully submitted,
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